Austria ... Sch22	Indonesia ... Rp3100	Portugal ... Esc100
Bahrain ... Din0.650	Israel ... NIS3.50	S Arabia ... Rls6.00
Belgium ... BFr48	Italy ... L1600	Singapore ... S$4.10
Canada ... C$1.00	Japan ... Y600	Spain ... Pta125
Cyprus ... C£0.75	Jordan ... Fils500	Sri Lanka ... Rup30
Denmark ... DKr9.00	Kuwait ... Fils500	Sweden ... SKr8.00
Egypt ... E£2.25	Lebanon ... $L125.00	Switzerland SFr2.20
Finland ... Fmk7.00	Luxembourg .. LFr48	Taiwan ... NT$85
France ... FFr6.50	Malaysia ... Rls4.25	Thailand ... Bht50
Germany ... DM2.20	Mexico ... Pes300	Tunisia ... Din0.800
Greece ... Dr100	Morocco ... Dh6.00	Turkey ... L500
Hong Kong ... HK$12	Netherlands ... Fl3.00	UAE ... Dh6.50
India ... Rup15	Norway ... Nkr8.00	USA ... $1.00

FINANCIAL TIMES

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Fiji's other tragedy: the suffering economy, Page 3

World News

Col Rabuka declares Fiji a republic

Col Sitiveni Rabuka declared Fiji a republic, ending hopes of a negotiated end to the crisis in the island's government since the coup 11 days ago. He said the new constitution would give recognition to Melanesian Fijians.

The move automatically excludes Fiji from Commonwealth membership and is likely to invite a trade and aid embargo from Australia and New Zealand. Page 20

Merkle charged

West German state prosecutors charged Hans Merkle, head of the supervisory board at the Robert Bosch electricals group, with tax evasion in an apparent extension of the so-called "Flick" political corruption scandal. He is the most senior industrial figure to have been caught up in the affair. Page 2

Baghdad raids

Iraq threatened to retaliate after Iranian missile attacks on Baghdad by attacking Tehran and other Iranian cities with long-range missiles, warplanes and artillery. Page 20

Defence order

The UK Government announced an order for the second Trident nuclear ballistic missile submarine and invited tenders for up to four Type-23 frigates for the Royal Navy, underlining Britain's commitment to an independent nuclear deterrent. Page 5

Senate ban

The US Senate voted for a second time to ban all Iranian imports, including oil. US Energy Secretary John Herrington said he supported the oil boycott as a "moral statement." Page 4

Manila arrests

Fourteen soldiers and civilians were arrested during a military operation in Manila aimed at pre-empting a coup. Col Honasan, leader of the August mutiny, said his supporters would eventually strike again. Earlier report, Page 3

Tigers' revenge

Tamil Tiger guerrillas executed eight captured Sri Lankan soldiers and launched attacks following the suicide of guerrillas in Sri Lankan custody as Trincomalee residents said Indian soldiers refused to intervene while guerrillas burnt houses. Page 20

Schlueter appeal

Danish Prime Minister Poul Schlueter appealed for support in Parliament for his minority Government after last month's inconclusive elections and warned that instability and further elections could be damaging. Page 2

ANC arrests

South Africa arrested 11 people in Cape Town who they claimed commanded an ANC network in the Western Cape.

Budget blocked

Spain rejected Denmark's proposals on the EC budget deadlock after they were announced at the weekend, causing the 12 member states to overrun the legal deadline for presenting a draft budget to the European Parliament. Page 2

Mubarak re-elected

Egypt's President Hosni Mubarak won a second term with a majority of 97.12 per cent in a national referendum as the only candidate. Page 3

Salinas resigns

Carlos Salinas, chosen to succeed Mexico's President Miguel de la Madrid, resigned as Planning Minister, as part of a gradual cabinet reshuffle. Page 4

Kenya aid

The EC gave $80m in grants and soft loans to Kenya to finance two road projects and research programmes in agriculture and livestock.

Business Summary

Wall St suffers 91-point plunge

WALL STREET suffered its biggest one-day points decline in history on fears of higher interest rates and predictions of a technical short-term drop for the market.

The Dow Jones Industrial Average lost 91.55 to close at 2548.63. The fall was 3.5 per cent in percentage terms, surpassed only by a 4.6 per cent drop in September, 1986. Page 44

IBM, world's largest computer company, launched a private telephone exchange in a drive to boost its share of the European telecommunications equipment market. Page 20

MATRA, state-owned French defence and electronics group which is about to be floated on the Paris bourse, says group share of consolidated net income edged up to FFr41m ($6.7m) in the first half of 1987, against FFr34m a year earlier.

JAPANESE Ministry of Finance has cancelled this month's planned issue of 10-year government bonds, its primary source of long-term funds, because of the recent rapid fall in bond prices. Page 25

TOKYO: High-technology and large-capital stocks continued to command investor attention and helped lift the Nikkei average 70.64 to 26,088.97. Page 44

LONDON: The steep fall on Wall Street sharply depressed UK equities towards the end of a cautious session. The FT-SE 100 index closed down 17.9 at 2,367.9 and the FT Ordinary index fell 15.4 to 1,858.3. Details, Page 40

GOLD rose $1.25 on the London bullion market to $457.75. In Zurich it rose to $458.55 ($456.25). Page 32

DOLLAR closed in New York at DM1.833, FFr6.0945, SFr1.5305 and Y146.7. It fell in London to DM1.8360 (DM1.8425); to Y146.70 (Y146.80); to SFr1.5305 (SFr1.5355); and to FFr6.1075 (FFr6.1325). On Bank of England figures the dollar index fell 0.6 to 102.9. Page 33

STERLING closed in New York at $1.6335. It rose in London to $1.6320 ($1.6240); to DM2.9975 (DM2.9925); to Y239.5 (Y238.5); to SFr2.4975 (SFr2.4925); and to FFr9.9675 (FFr9.96). The pound's exchange rate index rose 0.2 to 73.2. Page 33

RHONE-POULENC, French state-owned chemicals group, reported a 15 per cent rise in first-half net profits, to FFr1.14bn ($185m) from FFr988m in the first six months of last year. Page 23

POHJOLA, Finland's leading insurance company, plans to raise FM 488.5m ($120m) including a premium of FM 448m with a rights issue. Page 23

USG, building products group which is America's largest gypsum producer, has come under a fresh takeover assault with the announcement by two aggressive Texas investors that they hold nearly 10 per cent of the Chicago company. Page 21

CIE FINANCIERE de Suez has attracted strong foreign demand for shares strong and the public offer has been oversubscribed 8½ times, according to Banque Indosuez, the lead underwriter. Page 23

SVENSKA HANDELSBANKEN and PKbanken, Sweden's second and third largest banks, both suffered a drop in group operating profits in the first eight months. Page 23

PACIFIC DUNLOP, Australian industrial group, is to acquire control of GNB Holdings, US automotive and industrial battery maker, for A$173m (US$124m).

TOP-DENMARK, country's third largest insurance group, reported unchanged first half operating profits of DKr68m($9.7m), with the long, harsh winter causing a rise in motor vehicle damage claims.

MANUFACTURERS Hanover, sixth largest US banking group, has announced it will recoup $55m out of its pension fund as part of a multiple effort to plug the holes in its capital base left by provisions against shaky Third World loans. Page 21

Iran casts around for response to ship losses

BY ANDREW GOWERS IN DUBAI

AS IRAN reels from this week's Iraqi air raid on its Hormuz oil terminal at the southern end of the Gulf, the country's leaders must be feeling in something of a tight corner.

This week's Iraqi attack, in which five ships were damaged - one of them, the Cypriot-flag Shining Star, apparently gutted - was the heaviest blow Baghdad's jets have inflicted on ships serving Tehran's vital oil export lifeline in the seven-year-old Iran-Iraq war.

It was also the culmination of two weeks of punishing air strikes off the Iranian coast and close to its Kharg and Larak island oil terminals. Iran responded with two reported missile attacks on Baghdad overnight and yesterday Iraqi warplanes were seen heading east towards Iran as Iraqi officials threatened missile and air raids in retaliation.

The Iraqi strikes are making it increasingly difficult for the Iranians to keep up their shipments. In August, they used a de facto ceasefire at sea to step up their exports to an estimated average of 2.8m barrels a day - a far cry from the much-reduced level their shipments had sunk to late last year. But with Iraq showing fresh determination to throttle the industry which fuels its enemy's war machine, it seems unlikely that this peak will be attained again in the foreseeable future.

This week, the Cyprus-based newsletter Middle East Economic Survey reported that Iranian exports were down to 2.2m barrels a day in September, and that Iran had been forced by the persistent Iraqi raids to charter 14 extra tankers, in effect doubling its fleet.

It would not be surprising if some of Tehran's foreign customers were increasingly wary of sending their own vessels to Larak or Hormuz, as the Japanese have shown themselves to be, although yesterday Japan's seamen's union and shipowners were reported as saying they would resume daylight sailing in the Gulf today.

The pressure is now on Iran to find some damaging form of retaliation for Iraq's recent actions. That has always been the gist of the Tehran Government's rhetoric: "If the Gulf becomes unsafe for us, then we will make it unsafe for everybody."

But here too, the Iranians' room for manoeuvre is severely limited by the heavy presence of foreign naval forces in the Gulf. They have talked repeatedly of confronting the US in recent days, of retaliating for the American seizure and scuttling of an Iranian vessel which Washington says it discovered laying mines. But however much Iraq may want to provoke Iran into a fight with Uncle Sam, Western diplomatic and other observers in the region question whether Iran really wants a showdown with such a powerful opponent.

Mines have in the past proved

US pressure, Page 4

Continued on Page 20

US senate committee rejects Bork nomination

By Stewart Fleming in Washington

PRESIDENT REAGAN'S prospects of securing the appointment of Judge Robert Bork, a staunch conservative, to the US Supreme Court suffered a severe blow yesterday when the Senate Judiciary Committee voted by 9 to 5 to recommend that the nomination be rejected.

This is a stunning political reversal for Mr Reagan who only a few weeks ago was confident that a victory in the battle over the Bork nomination would provide further evidence that his political fortunes were reviving in the wake of setbacks suffered from the Iran/Contra scandal.

After the vote Senator Joseph Biden, the Democrat who chairs the Judiciary Committee, predicted that the full Senate would vote next week on the nomination. But he added that there is now "no possibility" of it being approved - a view widely shared by both Republicans and Democrats in Washington.

Eight Democrats, three avowed conservatives, were joined by one of the six Republican committee members in opposing Judge Bork's nomination - a man whose appointment has been promoted by right-wing conservatives.

Conservative lobbyists have been convinced that his presence on the nine member Supreme Court would tilt the balance to the right and create a five person conservative majority which could begin to roll back judgements on such issues as abortion and affirmative action which they have been fighting to overturn.

The focus of attention immediately shifted to the White House, which has been insisting that even if the Judiciary Committee voted against the nomination the Administration would continue the fight on the floor of the Senate. "Over my dead body," President Reagan retorted when asked on Monday if the Bork nomination was going down to defeat.

Yesterday's vote revived speculation that either Judge Bork would withdraw his name himself or that, rather than press ahead on what appears to be a hopeless and humiliating course, Mr Reagan would surrender.

Mr Reagan, however, is being pressed by conservative supporters not to withdraw on the grounds that they can make the Bork nomination an issue around which they can rally support in the 1988 election. On this view, by forcing the issue to a vote on the Senate floor they are also forcing opponents of Judge Bork to identify themselves as political targets for right wing activists in next year's elections.

Brussels to seek cuts in farm subsidies but increases in tariffs

BY TIM DICKSON IN BRUSSELS

A COMMITMENT to the gradual reduction of agricultural subsidies, along with a call for an immediate international effort to reduce the world's largest food surpluses, will be made in Brussels today.

But, in a move that is bound to antagonise the US, the European Commission will warn that import tariffs on some products will have to be increased.

The eagerly awaited policy statement, which is expected to be approved by a full meeting of the 17 man Commission today, will be presented to this month's meeting of EC foreign ministers as the Community's proposed negotiating position for the forthcoming talks on agriculture in the General Agreement on Tarriffs and Trade (Gatt).

The momentum for effective action to tackle global agricultural surpluses has been growing since last September's outline agreement in Punta del Este at the start of the so-called Uruguay round. Important discussions were held in the context of the Organisstion for Economic Co-operation and Development (OECD) and the Venice Summit in June, but the issue was highlighted most dramatically by President Ronald Reagan's call in July for a phased elimination of subsidies over the next 10 years.

Policymakers in Brussels recognise that the high level of agricultural support is the main problem but they feel that their own position is a more realistic response. Officials confirmed last night that the main points would include a short term commitment to tackle the biggest surpluses, notably those of cereals, dairy and sugar. Ideas for action are likely to include agreement on minimum prices, market shares for the major producers, and controls on the levels of imports.

In the longer term, the Commission accepts the need to reduce subsidies and to adjust output levels. However, while the Brussels paper will make clear that some external tariffs are very high - notably in cereals - it will also note that in other areas, such as cereals substitutes, there is no protection. Future policy would thus be based on a lowering of some barriers - the paper does not specify which ones - and the erection or reinforcement of others.

The paper will stress the need to find means of securing farm incomes other than through price support, but there will be a strong committment to Europe's family farm structure and at least an implicit rejection of policies which encourage the creation of large agricultural units.

The Commission will draw attention to the cuts made in EC agricultural support since 1985 and will maintain that these should be taken into account in future negotiations. The concept of producer subsidy equivalents (PSEs) - a measure of relative agricultural support levels refined in the OECD - is accepted in principle provided certain changes are agreed.

The paper will make clear that negotiations on agriculture go hand in hand with negotiations in other areas, notably on industrial products and services.

Tibetan protests continue despite curbs by China

BY ROBERT THOMSON IN LHASA

TIBETAN MONKS were beaten and arrested by Chinese armed militia yesterday after staging a protest march through the heart of Lhasa, the capital.

The demonstrators, calling for the Chinese to leave and requesting that the body of a dead monk be handed over to them, were protesting on the eve of the anniversary of China's armed entry into Tibet in 1950. The monks also demanded the release of about 21 of their colleagues arrested in earlier protests last week.

Lhasa was brought to a standstill by yesterday's arrests and a deep resentment was apparent against the militia. Chinese police are now on full alert for potential backlash protests.

Monks from the Drepung Monastery first staged a noisy protest about 4km outside Lhasa, then marched into the city, tearing down anti-protest notices along the way. They picked up rocks during their march but did not throw them during the arrests.

When they neared the city centre, four truckloads of People's Armed Militia tried to surround them and mananaged to cut off about 30, who were beaten with belts, sticks and rifle butts.

Another 50 monks continued marching to the municipal headquarters in People's Street, where they were trapped against a fence and surrounded by about 300 militiamen brandishing machine guns.

Some monks resisted arrest but most were passive, although the police did not appear to treat either group differently. Monks in both groups were beaten with belts and rifle butts then hauled into the back of military trucks to be driven away.

The city had been quiet for two days but the Drepung monks were incensed by the presence of police in their monastery and demanded that they leave. Tibetans watching the arrests jeered police, who trained machine guns on the crowd.

A short time later at least 150 heavilyarmed military police drove at full speed in trucks to Sera monastery north of Lhasa, home of Tibet's famed warrior monks.

Yesterday's protest intensifies pressure on the Chinese Government and further polarises Tibetans and their Chinese rulers, who maintain that the demonstrations have been led by a few "splittists." It is clear that many monks, particularly the younger ones, believe that now is the time to launch an offensive against the Chinese. Most of yesterday's protesterswere in their late teens and early 20s.

Several older monks attempted to stop the young protesters before they entered the city, but the protesting monks ignored their pleas and instead urged them to join in.

One Drepung monk explained that omens were in favour of a new era of Tibetan independence. "We have had some earthquakes and we saw a rainbow over the Potalal Temple. This means the soul of the Dalai Lama is with us." The monks have been inspired by the Dalai's intensified campaign abroad. He fled Tibet in 1959 after an abortive uprising, but the monks still support him passionately and yesterday called for his return.

Poehl voices doubts over IMF price index scheme

BY HAIG SIMONIAN IN FRANKFURT

MR KARL Otto Poehl, the West German Bundesbank president, yesterday expressed scepticism about the potential role for a commodity price index being developed by the IMF.

His speech in Berlin appears to put the Bundesbank president at odds with Mr James Baker, US Treasury Secretary, who called last week for an index as an anchor for the anti-inflation policies of the Group of Seven major industrialised economies.

Mr Poehl also said that West German interest rates were not on a long-term upward trend, despite the substantial expansion in German money supply this year.

He welcomed the increasing future role of "objective indicators" in international monetary co-ordination, which would put discussion on a more factual basis and described as a "useful early indicator" the index of commodity prices, including gold, which the IMF plans to develop as a leading indicator of inflationary trends.

However, Mr Poehl stressed that no government or central bank would be willing to accept "quasi-automatic orders on how to act" which stemmed simply from changes in certain statistics.

Moreover, he expressed considerable scepticism about the difficiulties in producing such an index, which could be influenced by producer cartels of a particularly important raw material, such as oil, or by manipulation on the part of gold producers or holders. "Therefore I must express my doubt whether

Continued on Page 20

STC stake may go to Canada

BY TERRY DODSWORTH AND DAVID THOMAS IN LONDON

NORTHERN TELECOM of Canada, the world's fourth largest telephone equipment manufacturing group, was last night close to signing a £400m ($652m) agreement to purchase a 24 per cent stake in STC, the UK's second biggest electronics company.

STC, which owns the ICL computer concern and a range of telecommunications activities, has been the subject of strong market speculation recently following a spectacular profits recovery over the past year.

Negotiations on the STC shareholding, currently held by ITT, the US conglomerate, reached a climax in New York yesterday amid a flurry of market rumours which propelled the STC share price up by 19p to 307p.

Several companies were mentioned in market speculation, including Siemens of West Germany and Fujitsu of Japan, but indications last night were that Northern Telecom was near to closing the deal.

The talks follow two other recent moves that have substantially changed the shape of the UK electronics industry: the decision to combine the telecommunications activities of Plessey and GEC, and Ferranti's agreement to merge with International Signal and Control of the US.

They mean that all four of Britain's largest electronics and telecommunications companies have been involved in moves within the past two weeks that will change the direction of their activities.

A sale of the STC shareholding had been expected for some time, and will lead to a further step in ITT's retreat from the telecommunications industry. It began this withdrawal at the end of last year when it sold the majority stake in its European telephone activities to Alcatel of France, a move which has allowed it to concentrate on its expanding financial services and components interests.

Northern Telecom has made no secret of its wish to build up its sales outside North America, where it is second only to American Telephone and Telegraph, by acquisitions, strategic alliances and direct investment.

However, Northern has struggled to become a big player in many markets outside North America, which last year accounted for more than 95 per cent of its $4.384bn sales. It failed earlier this year to gain control of CGCT, the second French exchange manufacturer, having previously failed to become the second public exchange supplier to British Telecom.

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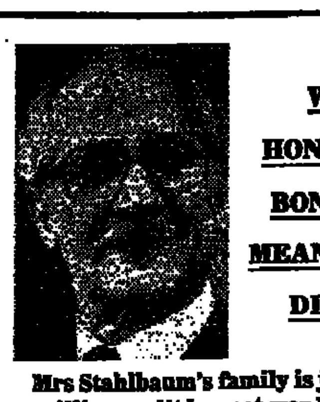

WHAT HONECKER'S BONN VISIT MEANS TO THE DIVIDED

Mrs Stahlbaum's family is just one of millions split by post-war East-West break-up, Page 19

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SPAIN REJECTS FINAL COMPROMISE ATTEMPT

EC fails to meet budget deadline

BY QUENTIN PEEL IN BRUSSELS

VIRTUALLY THE last hope of agreeing on a 1988 budget for the European Community before the end of the current year expired yesterday, when Spain rejected a final attempt at compromise.

The deadlock means that the 12 member states have failed to meet the legal deadline for presenting a draft budget to the European Parliament, and now face the threat of being taken to the European Court of Justice.

It is almost certain to mean that the EC will have to operate for several months of 1988 on a system of emergency financing, effectively ruling out any new policies being undertaken, and cutting all other budget lines to zero growth.

Spain yesterday refused to leave the blocking minority of member states - the others are the UK and Greece - refusing to sanction a Ecu39.3bn (£27.5bn) budget, when available resources total less than Ecu35.3bn. All three opponents know that by blocking the budget, they raise the pressure for all 12 to agree on a complete overhaul of their finances at their December summit.

The system of "provisional twelfths" - allowing spending to continue every month at one twelfth of the previous year's rate - can cause considerable administrative chaos in EC programmes, and would almost certainly hit agricultural spending inflated by the need for high export subsidies to counter the effect of a falling dollar.

The emergency financing would also be unable to cope with a rush of demands for delayed farm spending held over from the last three months of the current year, for which there is simply not enough cash available in the 1987 budget.

Mr Uffe Ellemann-Jensen, the Danish Foreign Minister, was last night writing to Lord Plumb, the president of the European Parliament, explaining the Council's failure to agree a draft budget. The Parliament must now decide whether to back the European Commission in its promised legal challenge in the European Court, intended ultimately to force the Council of Ministers to provide adequate finance.

The Commission will serve notice that the Council - the decision-making body of the 12 member states - has failed to carry out its duty under the Treaty of Rome. A two-month delay must then elapse, allowing the Council time to resolve the problem.

That delay conveniently expires the day after the Copenhagen summit, although it is by no means sure that the 12 can sort out their long-term cash crisis by that stage. A total package of reforms includes detailed limits on farm spending, sector by sector, commitments to increase the funds available for social and regional policies, and a new system of national contributions intended to be more equitable to major net contributors like the UK.

Chief of Bosch on tax charge

BY PETER BRUCE IN BONN

WEST GERMAN state prosecutors have charged Mr Hans Merkle, head of the supervisory board at the Robert Bosch electrical group, with tax evasion in what appears to be an extension of the so-called Flick political corruption scandal.

Prosecutors in Stuttgart confirmed yesterday that Mr Merkle, 75, had been charged on July 22 with making illegally high, tax deductible payments to an organisation that had then passed the donations on to conservative political parties.

Mr Merkle, is the most senior industrial figure to have been caught up in the affair. He led the Bosch group for 21 years before vacating the executive seat in 1984 and is credited with the group's post-war success. He sits on the supervisory board of the Deutsche Bank.

Bosch said yesterday that the Stuttgart prosecutors had approached Mr Merkle last year and offered to drop their investigation against him if he paid a fine.

The company said Mr Merkle rejected the offer and regarded the charges against him as "unjustified."

The foundation Mr Merkle is said to have made his donations to – the Society for the Promotion of the Economy in Baden Württemberg – passed money chiefly on to the liberal Free Democrats (FDP – Mr Lambsdorff's party) and Chancellor Helmut Kohl's Christian Democrats (CDU).

Bosch said that the financial support given to political parties, now regarded as illegal by prosecutors, was then regarded "by all concerned" as entirely proper.

The senior state prosecutor in Stuttgart, Mr Dieter Jung, said he believed another four people would be charged in connection with donations to the society.

Moscow mission signals thaw in relations with Brussels

BY QUENTIN PEEL

A TOP-LEVEL delegation of Soviet politicians arrived in Brussels yesterday for a week of "informal" talks at the European Parliament, in another clear indication of the thaw in relations between Moscow and Brussels.

The delegation led by Mr Lev Tolkunov, president of the Supreme Soviet, has come as talks between the European Community and member states of Comecon, the East European state trading bloc, are nearing agreement on a form of mutual recognition.

For the past 30 years the Soviet Union, in particular, has studiously refused to recognise the Community in international organisations, but now seems ready to drop that position.

The main outstanding problem is how to refer to the status of West Berlin in any agreement - whether in the body of the text, as the EC insists, or in a footnote, as Moscow wants. It has apparently been agreed that tacit recognition of West Berlin as part of the EC can be included in one form or another, already a concession on the part of East Germany, as well as the Soviet Union.

The 10-strong Soviet delegation has been invited by the 165-strong Socialist group in the European Parliament, and will hold talks on security and disarmament, human rights and economic questions.

Mr Tolkunov said on arrival in Brussels that his delegation's informal visit was an important one. He hoped there would soon be a decision about a joint declaration by the EC and Comecon. "There is not a moment to lose,' he said.

The remaining point of difference between the EC and Moscow, in particular, is that the Community wants to agree on closer relations with the individual Comecon member states, rather than putting the emphasis on an agreement with Comecon as a whole. However, both bilateral and multilateral recognition agreements are expected to be reached simultaneously, to be followed by detailed trade agreements with several of the Comecon states in the coming months.

Soviet farm chief flies to US

BY OUR MOSCOW CORRESPONDENT

MR VIKTOR NIKONOV, the Soviet Communist Party secretary for agriculture, left for the US yesterday where he will meet President Ronald Reagan and visit American farming areas.

Appointed to the Politburo in June, Mr Nikonov, always an agricultural specialist, is in charge of introducing reforms aimed at lifting agricultural output, the low level of which has been the traditional ball-and-chain on Soviet economic progress.

Moscow has always admired American agricultural expertise, so Mr Nikonov's tour of US farming areas is not suprising. His meeting with President Reagan coincides with preparations for a summit with Mr Mikhail Gorbachev, the Soviet leader, probably in November.

Mr Nikonov will return to the Soviet Union in eight days when it is likely he will face a special meeting of the Communist Party Central Committee, the final fount of authority in the Soviet Union, which is to discuss the future of agriculture.

Italian budget proposals raise inflation fears

By Alan Friedman in Milan

THE Governor of the Bank of Italy yesterday warned that aspects of the Government's 1988 budget proposal, especially the increase in indirect taxes, could fuel a renewed rise in inflation.

Speaking in Rome before a joint session of the budget committees of the two houses of Parliament, Mr Carlo Azeglio Ciampi, praised the Government's effort to rein in public spending. He warned, however, that increases in indirect taxation, such as VAT, "will provoke a mechanical rise in prices."

It would have been preferable to have introduced measures designed to combat tax evasion. He termed the rise in indirect taxes as being "not without risk".

Mr Ciampi said the Government's economic policy must be aimed more at damping down internal demand and at controlling the "determinants of the inflationary processs". Only by slowing down inflation could Italy come to terms with the conflict between a monetary policy aimed at stability and the need to finance the public sector deficit.

Schlueter looks for help outside coalition parties

BY HILARY BARNES IN COPENHAGEN

THE DANISH Prime Minister, Mr Poul Schlueter, made a strong appeal for co-operation from the non-government parties when he opened Parliament yesterday with a government policy declaration.

Following the general election on September 8, the four-party non-Socialist coalition needs the support of at least two other parties in the nine-party Folketing (parliament) to obtain majorities.

Mr Schlueter called on the Radical Liberal and Social Democratic parties not to turn their backs on the work of the Folketing. "If they do, the work of the Folketing will be paralysed," he said.

"The Government hopes that a majority will recognise that we do not want political instability and elections following in rapid succession."

Tax adjustments to improve the competitive position of Danish industry will be among the main items in the legislative programme. The Government will also seek tripartite negotiations with industry and labour with the view of paving the way to tighter settlements in the collective wage bargaining session in spring 1989. The Government will offer compensation in the form of tax concessions and the establishment of a pensions savings scheme for blue-collar workers.

The opposition parties will spell out their attitude to the Government in a debate on the Prime Mninister's statement tomorrow.

Bank official arrested in Agrokomerc scandal

BY OUR FOREIGN STAFF

THE YUGOSLAV authorities have arrested a federal bank official in the wake of a major financial scandal, the official Tanjug news agency reported.

Mr Vladimir Krsulj, general secretary of the Yugoslav money market in charge of bills of exchange, was arrested on October 1 in Belgrade on charges of 'endangering the social system,' Tanjug said.

The Agrokomerc food processing company in the Republic of Bosnia-Hercegovina, which employs 13,500 workers, reportedly has issued uncovered bills of exchange valued at about $1bn. The affair is expected to affect at least 63 banks that had transferred funds to the company after receiving promissory notes endorsed by a Bosnian bank.

Tanjug said that Mr Krsulj on two occasions failed to inform Yugoslav banks of Agrokomerc's financial condition, and that the company was issuing uncovered bills of exchange.

'In this way Yugoslav banks were led into further buying of Agrokomerc's promissory notes, causing great damage to the Yugoslav economy,' Tanjug said.

Mr Krsulj reportedly acted 'in agreement' with Mr Fikret Abdic, the former director of Agrokomerc, who was arrested last month.

Stringent tax package for Norway

By Karen Fossli in Oslo

NORWAY'S MINORITY Labour Government yesterday presented a draft 1988 budget containing the most stringent tax measures in years.

The NKr245bn (£22.5bn) draft budget, due to be debated in Parliament this autumn, calls for an increase in public spending of 6.6 per cent over this year, compared to revenue projections of NKr244.6bn.

The tax package, aimed particularly at high income earners and large loan holders, will raise budget revenue by about NKr3.6bn.

A share turnover tax of 1 per cent, to be split equally between buyers and sellers and aimed at raising NKr300m in revenue, is also being introduced together with a 10 per cent tax on commissions earned by brokerage houses.

The draft budget shows a surplus of NKr9.3bn before loan transactions. However, after a correction for the effect of oil activities and transfers from the central bank the budget will show a deficit of about NKr393m in 1988, or 0.1 per cent of gross national product, compared to a projected surplus of NKr2.5bn this year.

The Government's net loan requirements have also been reduced from NKr8.5bn this year to NKr6.1bn in 1988.

The effects of the 1986 oil price fall continue to be felt by Norway which is West Europe's second largest oil producer behind Britain. Net oil revenue, which reached NKr24bn in 1986, is not expected to increase from this year's level of NKr5bn.

Opposition politicians reacted sharply to the proposed tax increases in the draft budget.

N-power producers to set up safety link

By George Graham in Paris

THE WORLD'S nuclear power producers are to set up a new international organisation to share information and improve safety in the operation of their plants.

Chief executives representing 99 per cent of the world's nuclear power generating capacity decided yesterday in Paris to create four new centres which would act as information exchanges between electricity producers in Europe, North America, Japan and Eastern Europe.

Lord Marshall of Goring, chairman of the Central Electricity Generating Board of the UK, who chaired the meeting, said the aim was to maximise safety by exchanging information, encouraging comparisons and stimulating companies which operate nuclear plants to emulate each other.

Mr Jacques Leclercq, director of the French state utility Electricite de France, said the agreement laid the foundations for a world nuclear utilities federation.

The agreement reached yesterday is viewed as an important step forward in safety cooperation among electricity producers. It builds on existing information sharing arrangements in North America and Europe, and creates formal links with the Soviet Union and the Far East.

Although the Soviet Union has begun to exchange nuclear plant operating information with the West since the disaster at its Chernobyl power plant last year, yesterday's agreement takes these exchanges a stage further.

One of the four information centres planned will be in Moscow, with the others in Paris, Atlanta and Tokyo. An umbrella organisation is likely to be set up with its headquarters in Vienna, near to the International Atomic Energy Agency, or London.

The IAEA has played an expanding role in promoting nuclear safety since the Chernobyl disaster, but represents governments rather than utility operators.

Mr Nikolai Loukonin, Minister for Nuclear Power in the Soviet Union, said that the new organisation would not replace the IAEA, but would allow operators to borrow good practices from their neighbours and exchange information on incidents in the operation of nuclear plants.

The new organisation will build on existing information sharing arrangements, such as the Institute of Nuclear Power Organisations, created in the US after the disaster at the Three Mile Island nuclear plant, and Unipede, which groups electricity producers mainly in Europe.

Malta talks

Talks held in the last two days in Valletta between a European Parliament delegation and Maltese political leaders have brought into sharper focus the island's plans to file for full EC membership, Godfrey Grima reports.

Both premier Dr Eddie Fenech Adami's ruling Nationalist Party and the opposition Labour Party agree in principle on Malta joining the Community. The problem is one of timing, and negotiating conditions.

European Diary

W.Germany

West Germans like their lives to be very well regulated, writes **Peter Bruce** in Bonn. But breaking the rules gives many of them almost as much pleasure as making them

Rules – a German growth industry

WHEN THE new exit barrier in a parking garage near West Germany's Parliament in Bonn stopped working one day last week three local motorists got out of their cars and, after glancing furtively about, wrenched the offending arm from its socket and drove through, giggling.

Breaking rules in West Germany is often deeply satisfying. The smallest rebellions - crossing on a red light, buying a bottle of milk just after the shops are supposed to have closed at 6.30pm - can be very uplifting. The pleasure in breaking rules corresponds, it seems, to the number of rules to break, and in West Germany there are a lot.

The big rules are harder to break. The Industry Association of German Bread and Baked Goods complained bitterly recently about a 72-year-old law which bans all baking before four in the morning. Given that the smell of bread baking is unmistakeable, it would be hard to cheat.

And just in case anyone thinks the rules are somehow going to be lightly swept away one day by some great liberating Teutonic hand, a Frankfurt court last week ruled that shops at Frankfurt airport could serve travellers only, and not, as they had been for years, just anyone. The shops were a last resort for desperate shoppers who fall foul of laws that close all shops at 6.30 in the evening or at 2pm on three out of four Saturdays a month.

The Germans, though, can be even harder on foreigners than they are on each other and the rules are most fearsome when *ausleander* try to sell their products here.

Take the Belgian company which wanted to begin marketing a draught beer pump here. Germans do not drink beer from just any old pump. There are German norms and dozens of technical rules that shape the tap a good pils flows out of. The Belgians had to fill in one form 35 times so the *Schankanlagepruefstelle* (the beer pump testing bureau) in Frankfurt could begin its examination and approvals process.

The Belgian pump eventually got through, but product approval is almost always a nightmare. There are, says one European diplomat who has spent 13 years studying West German non-tariff trade barriers, some 26,300 DIN (German Industrial Standard) norms in operation and a further 45,000 technical rules governing they way things have to be made. He calculates that, in their passion for order and regulation, the West Germans invent 14.2 new technical rules every day.

The DIN norms are a constant source of frustration for foreigners because they tend to be much tougher than other international standards. In most Western countries, for instance, a tow bar used for pulling trailers or caravans is tested by pushing down and pulling back on it. The Germans also pull it up - a test which few foreign tow bars pass.

All the talk about an open market in the European Community after 1992 is Utopia, says the diplomat – the German rules effectively close off the market to hundreds of foreign products.

Everything gets tested. A few years ago local laws were changed to allow reflectors to be used on bicycle spokes and pedals and a Belgian (another one) producer, already in possession of International Standards Organisation approval from Geneva, thought he would try his luck. He did not have any - the Germans said the reflectors had to be tested to German standards and in the year it took to do so, the market vanished.

Products have to be "safe" and West German law holds local distributors responsible for any failure of the (foreign) product they sell. That makes West German distributors very conservative people.

Heaven help the man who sells an improperly labelled item of food here. West German standards for almost all foods are derived from traditional recipes and it can take months to obtain approval to call a drink a fruit juice and not a nectar, or to call a salami a salami and not a long-life sausage. One company had its juice rejected because the German writing describing the contents was not big enough and then again because it spelt the country of manufacture in English.

Most of the rules are dreamt up by the hundreds of industry associations - from the *Fachverband Kartonverpakungen fuer fluessige Nahrungsmittel* (the trade association of cardboard packaging of liquids) to the *Bundesverband Deutscher Kartoffelbrenner* (the Federal Association of German Potato Distillers) - to keep order among themselves. The trade barrier effect is probably not intentional.

One should not be too charitable, though. The West Germans have begun to cheat a little on public tenders, which, according to EC regulations, are supposed to be open. Increasingly, tender announcements say that extraordinary offers are also welcome. That means an original tender which does not exactly reflect the published requirments. These offers do not have to made public and, say some complaining Europeans, often win.

Of course, some of West Germany's neighbours are famously protective of their own construction industries, but the Federal Republic must surely have walked away with first prize in 1983 when a foreign tender for a sewage plant was rejected because the offered price was too low. The authorities told the amazed builder they did not believe he could do the job for so little.

Bonn to back Hungarian loan

BY LESLIE COLITT IN BERLIN

WEST GERMANY will demonstrate its strong support for Hungary's new economic and political reforms by guaranteeing a DM1bn (£335m) bank loan to Budapest during the visit to Bonn, beginning today, by Mr Karoly Grosz, the Hungarian Prime Minister.

The government-guaranteed loan by West German banks is designed to promote economic and technical co-operation between Bonn and Budapest, according to West German officials. They pointed out that it was part of a package of measures to help Hungary overcome its critical economic situation.

Mr Grosz last month launched an unpopular austerity programme intended to halt the deterioration of the economy which produced a net hard currency debt this year of $9.3bn. At the same time he said Parliament would be given certain 'control functions ' over the Government and that the opposition's views would be tolerated.

Mr Grosz's four-day visit will also see the signing of an agreement on scientific technical co-operation, under which 32 projects have been agreed. In addition, Bonn and Budapest will ratify an investment protection agreement to stimulate West German investments in Hungary. Trade with Hungary, at DM5.1bn last year, is the second largest with a Comecon country, and Bonn is Hungary's second most impo.tant trading partner after the Soviet Union.

Hungary this week will also become the only Warsaw Pact nation apart from Romania to permit West Germany to establish a cultural institute in Budapest. This is a political breakthrough for Bonn, as East Germany previously represented German culture in Hungary.

West German officials said Chancellor Helmut Kohl was expected to express support to Mr Grosz for Hungary's efforts to achieve a trade agreement with the EEC.

Soviet ban lifted on Stalingrad novel

By Patrick Cockburn in Moscow

A SOVIET magazine is to start publishing the long banned novel *Life and Fate* by Mr Vasily Grossman in what one Soviet literary critic has described as "the most significant cultural event in the Soviet Union for years."

The novel, which takes place during the battle of Stalingrad, deals extensively with Stalin's purges, torture in prison, anti-semitism and other topics previously censored.

Some Soviet critics regard Grossman's work as superior in quality to Solzhenitsyn though dealing with similar themes. They say its publication in full will have much greater impact within the Soviet Union than anything published since censorship was relaxed in 1986.

Mr Vasily Grossman,the author, was a war correspondent for the military daily Krasnaya Zvezda (Red Star) in the war, during which he covered the battle of Stalingrad, the successful defence of which in 1942-43 was the turning point of the war on the eastern front.

The monthly magazine Oktyabr has now signed a contract to start the publication of *Life and Fate* next year.Mr Grossman died in 1964 after his novel had been rejected for publication and almost all manuscripts of his work confiscated, though one survived to be published in translation in the West.

There is now strong competition among Soviet publishers and magazines for works on "hot" political and social themes previously banned by the censor. For instance novels such as Anatoly Rybakov's *Children of the Arbat* dealing with Stalin's terror and Moscow society in the 1930s was written during the 1960s but published only this year.

Grossman's life and work is described sympathetically and at length in the latest issue of the weekly Ogonyok, the popular colour magazine, which is one of the flagships of the radical intelligentsia.

It describes how, after the confiscation of Life and Fate, Mr Grossman had little money and earned his living by translating novels from Armenian into Russian. He also wrote short stories for "Novy Mir", the main liberal literary journal under President Khrushchev, but refused to make changes demanded by the editor so they remained unpublished.

Publication of Grossman's last book uncut will be taken by Soviet intelligentsia as an indication that greater freedom of expression introduced by Mr Mikhail Gorbachev, the Soviet leader,and Mr Alexander Yakovlev, the party secretary for propaganda and a member of the politburo, is continuing undiminished.

The mood among the Soviet intelligentsia has changed since 1985 when Mr Gorbachev took over according to Mr Boris Kagarlitsky, one of a new generation of social and literary critics who have become vocal over the last year. The grip of conservatives and censorship on the main cultural unions - writers,film and theatre - into which full-time Soviet intellectuals are organised has been broken or much reduced.

However, Mr Kagarlitsky also says: "the trouble with the liberal intelligentsia was that it showed itself quite incapable of any constructive initiative of its own, preferring just to applaud Mr Gorbachev's decisions."

In this sense events keenly awaited by the intelligentsia such as the rehabilitation of Bukharin, the most prominent of the old Bolshevik leaders executed by Stalin in 1938, or even the publication of Life and Fate, may be a somewhat dated barometer of the state of Soviet intellectual life.

The critical point for intellectuals is becoming not just the need for freedom of expression about the present and the past but what to do with that freedom once acquired.

"The fashionable books published in 1986," says Mr Kagarlitsky, "bear witness not only to the disappearance of many censorship restrictions but also to the decline of analytical thought."

Many writers in Moscow fear that the present thaw will be followed by a renewed freeze but there is little evidence of this. Mr Gorbachev and Mr Yakovlev have said they see most of the present critical literature as a perfectly acceptable sign of intellectual vitality rather than undermining the Soviet system.

Austria's working class trade unionism coming to an end

Judy Dempsey analyses a crucial meeting in which a new leader is to be elected

AUSTRIA'S TRADE unions opened their 11th congress in Vienna on Monday against a background of new economic and social problems which will almost certainly raise many questions about the nature of the traditional and special relationship between the government and the unions.

This special relationship, known as the "social partnership," provided years of social peace in Austria. In the past, governments and trade unions, rather than risk any forms of social conflict, built a relationship based largely on consensus and compromise.

One of the bricks of the relationship, particularly during the leadership of the Socialist chancellor, Mr Bruno Kreisky, was that the government would protect the workforce against unemployment. The cost of maintaining that promise led to increasing subsidies for the state-run industries, the bulk of which is located in the heavy industry sector.

As the trade unions convene this week for a congress that will also elect a new leader, the growing consensus is that the days of compromise are drawing to an end. But if the social partnership is to continue, "it will have to be seriously modified in such a way as to reflect the changing economic and political climate here," an Austrian economist commented.

Two issues have precipitated this rethink. One is the government's policy to restructure the large state-run industry. The other is the future political and social role the Austrian trade unions can play.

Under the vast restructuring programme of the Oesterreichische Industrieholding AG (OIAG), the holding company of the state-run industries, the large industrial conglomerates will be broken up. As part of this reorganisation, about 19,000 jobs will be lost over the next three years.

The break-up of the large steel sectors is crucial to the political influence of the trade unions. "Smaller units will have far less political clout," argued one Socialist commentator. "The concentration of power will be weakened considerably."

It is not only the power base which will be weakened. For the first time, the trade unions will now have to face the prospect of some form of long-term unemployment for their members. They will have to consider retraining programmes and labour mobility.

Mr Hugo Michael Sekyra, the general director of OIAG said recently that job mobility, which is uncommon in Austria, will have to become a reality.

The political reality confronting the trade union movement is that it will find it hard to oppose the government's plans for OIAG. "There is no real alternative," one trade union official explained. "What we have to do now is decide what we want for the future."

Part of this week's agenda includes a discussion on a 35-hour week. The government will entertain this idea provided it will not mean more subsidies.

This is where the "no alternative" comes in. In a strategy aimed at making the state-run sector more competitive, Mr Sekyra has insisted on not asking the government for more money. The taxpayer has already paid out more than Sch 33bn ($2.3bn) this year alone, which Mr Sekyra says will have to last until 1990. That is a view shared by Mr Franz Vranitzky, the Socialist chancellor who recently said: "People must know where their balance sheet lies".

The congress will also discuss the government cost-saving budget which entails a reduction in pensions and fringe benefits, things which were, until recently, never questioned.

That is why the appointment this week of a new trade union leader will be crucial for the future development of the movement. The 75-year-old Mr Anton Benya retires and will be succeeded by the spritely 42-year-old Mr Fritz Verzetnitsch.

Mr Verzetnitsch has worked closely with Mr Benya over the past year. But unlike his predecessor's tenure, Mr Verzetnitsch faces a society which is gradually moving away from a blue-collar-based workforce to a white-collar profile in which services and technology will assume greater importance.

As one trade union official put it, "the days of working class trade unionism in Austria are suddenly coming to an end. The process of thinking about our future will be painful." That process may also put strains on the social partnership.

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Mubarak gains endorsement but faces challenge

BY TONY WALKER IN CAIRO

PRESIDENT Hosni Mubarak of Egypt, who won an expected overwhelming endorsement in Monday's referendum, has little reason to be sanguine about the challenges he faces in his second six-year term.

Hosni Mubarak

Mr Mubarak, who received, according to official figures, 97 per cent of the votes, faces an immediate problem of dealing with a deepening recession, rising unemployment and inflationary pressures.

Businessmen, bankers and economists are reporting a continuing slowdown in economic activities. They all say that remedial measures are required to provide some stimulus to the economy.

An economic survey published recently by the US embassy in Cairo reported that real gross domestic product (GDP) fell by 1½ to 2 per cent in 1986-87 after having increased an average of only about 3 per cent in each of the previous two years.

These latter rates of growth are much lower than those projected in *Egypt's five-year plan and certainly* lower than those reported by the Government.

Under an International Monetary Fund reform programme, instituted earlier this year, the authorities took immediate steps to restrict credit, curb imports and reduce the budget deficit. At the same time, there was a limited reform of the exchange rate system which resulted in a partial devaluation of the Egyptian pound.

The IMF is urging further exchange rate reform to allow a float of the pound along with measures to stimulate investment, such as a de-regulation of interest rates.

The US embassy reported that a "primary cause" of the recent stagnation had been the inadequacy (as well as inefficiency) of investment.

According to government estimates, gross investment fell from 31 per cent of GDP in 1981-82 to 20 per cent in 1985-86 and probably less last financial year.

Bankers are reporting particular *difficulties among their private sector* clients. "The private sector is going into deep recession," one foreign banker said. "The last quarter of last financial year was bad."

Bankers report a very quiet September – a month when there is usually a pickup in economic activity following the long summer break.

"Disposable income is shrinking across the board," a representative of a joint venture bank said. "Pay rises are not keeping up with inflation."

Inflation is a particular worry for the Government. The rate last year was put at between 20 and 30 per cent. Egyptians from all sections of the community are complaining about price increases.

Philippine rebels overrun

BY RICHARD GOURLAY IN MANILA

PHILIPPINE soldiers yesterday overran a communist guerrilla training camp in the first significant military success since the rebels blew up four bridges and eight electricty pylons in the same area last month, according to military reports.

"This is one of the biggest (New People's Army) camps we have overrun in the Bicol area," Gen Luis San Andres, the regional commander, said. The attack on the camp near Sorsogon left one soldier and six of the estimated 150 rebels dead and yielded NPA documents showing who had been supporting the rebels in the region, he said.

Gen San Andres said he was being hampered from reinforcing his troops because of a lack of helicopters - the two assigned to his command are damaged - and a lack of available troops. Observers have said that troops frequently had to break off engagements because they lacked logistical support and could not maintain contact with the fleeing NPA.

The NPA has recruited 24,000 regulars during the 18-year insurgency, about 12,000 of whom are armed, western military observers estimate. In addition there are believed to be 1m sympathisers who supply food and shelter to the rebels.

Last month army spokesmen said a "major military push" in Bulacan north of Manila had left one soldier dead. According to local mayors and local observers the soldier was killed by government troops who mistook him for NPA and the story of a big rebel push was a fabrication.

RESERVE FUND AT KD 15bn

Kuwait's inheritance keeps growing

BY ANDREW WHITLEY,RECENTLY IN KUWAIT

KUWAITIS PRIDE themselves, with justification, on being just that little bit more worldly and more forward looking than their other, newly rich neighbours of the Arabian Peninsula.

A good example of this mentality was the quiet creation a decade ago - when the oil boom was approaching its peak - of what amounted to an inheritance trust for the entire nation. Dubbed the Reserve Fund for Future Generations, as of last June, unofficial estimates indicate that a hefty KD 15.35bn (£33bn) had already been salted away.

If today this delightful inheritance were to be distributed equitably among Kuwait's 750,000 citizens (a further 1m foreigners have residence rights but no other benefits), each man, woman and child would receive over $73,000. Not great largesse, maybe, by oil sheikh standards: but there would be few complaints in Birmingham or Bordeaux at such a windfall.

Better still, at a time when the country's oil income has declined steadily, the size of the legacy has grown exponentially. Over the past three years the Reserve Fund - invested in such assets as US real estate, blue chip shares and Treasury bonds - has swelled by an impressive 42 per cent.

If present trends are maintained, by the end of the decade, or in the early 1990s, Kuwait could in fact be earning more from income on its accumulated reserves than from its oil sales.

According to official figures, in 1985-86 investment income of KD 2.49bn - mostly from the Reserve Fund - appeared to comfortably exceed oil revenues, which reached KD 2.09bn. As the implied rate of return on the investments that year was three times greater than in either the preceding or succeeding 12 months, the figure may simply have been a mistake. None the less, the trend is unmistakeable.

By law, a minimum 10 per cent of Kuwait's revenues, mostly derived from oil exports, has to be put aside every year. But according to Dr Fahed al-Rashed, Managing Director of the Kuwait Investment Authority, during the peak oil earnings years, between 1979 and 1981, the allocation went as high as 28 per cent.

To guard against the obvious temptation for light-fingered Treasury officials to dip into the Fund when the current account is in difficulties, or a pet project appears threatened by a temporary liquidity problem, the law forbids any withdrawals, under any circumstances. Rumours that last year's record budget deficit of $4.8bn was met, in part, by drawings from these reserves are stoutly denied by Dr Rashed.

So when can it be touched? No one seems too sure. Some say the year 2005, others 2010. The former date, being a neat 30 years - a full generation - after this savings account to end all savings accounts was first opened would carry a certain logic.

Where the fund is invested is one of the country's most closely guarded secrets, not least because of the nationalist sensitivities likely to be aroused by the confirmation of long-held suspicions that the vast bulk is indeed in the US.

S African police hold ANC group

By Jim Jones in Johannesburg

THE South African police have arrested 11 people in Cape Town whom they describe as 'the complete command structure" of the ANC network in the western Cape.

According to the police the 11 are believed to be responsible for 14 bomb attacks on government and police targets in the Cape, principally in June and July this year."

However, the police said seven black men, two black women a coloured (mixed race) man and a white woman 'well known in academic circles' had been detained. Five are alleged to have received military training in Angola, East Germany or the Soviet Union. Part of the large quantity of Soviet-made weapons and explosives captured by the police was taken in a raid on a flat in the white suburb of Wynberg.

The latest arrests, the police say, followed 15 months of investigations and became possible after 18 people were arrested in August on suspicion of responsibility for the spate of grenade and limpet mine attacks around Cape Town dating from November 1985 to May this year. Those explosions were originally believed *to have been the work of Mus*lim supporters of the Pan Africanist Congress (PAC), particularly as they were confined to the Cape Town area.

Chris Sherwell in Suva finds the islands' tourism a major victim of military coups

Fiji's other tragedy: the suffering economy

WHEN PEOPLE SHAKE their heads about the tragedy that is Fiji, they invariably have in mind the death of democracy and the damage to race relations. But a major casualty of the South Pacific state's two military coups in five months is its economy.

Few Third World countries have sunk to such depths in so short a time: in the Asia Pacific region it has probably suffered a bigger reverse than the upheavals of the Philippines and Sri Lanka. What makes it worse is that the economy was previously in such a buoyant state.

The most visible impact has been on tourism. Visitor arrivals in the first four months of 1987 were running 10 per cent higher than in 1986, which finished at a record high of 258,000. The trend halted instantly, when Colonel Sitiveni Rabuka's first shock coup on May 14 provoked an attempted highjack of an Air New Zealand aircraft and a riot in Suva.

May arrivals were down 30 per cent; June's figure was one-third of the 1986 level. Bargain basement fares introduced on Fiji's Air Pacific helped the numbers to pick up, but attracted downmarket tourists who spent less. Col Rabuka's second coup on September 25 now threatens to damage the industry's profitability irreversibly.

The picture in the sugar industry is scarcely more encouraging. Sugar is the economy's lifeblood, and the industry is dominated by the Indian community. A delay in harvesting and a persistent drought means production this year will be around 325,000 tonnes, compared to the record 501,000 tonnes last year. Even now, vast acres of cane are still standing uncut in the fields.

Col Rabuka: unsettling coups

Better yields and improved world prices will offset some of the difference. But 90 per cent of Fiji's sugar is exported at above world prices, and the real worry is that sanctions by other countries will close these markets or open the way to competing producers.

In the case of the European Community, Fiji looks particularly vulnerable. Now that Col Rabuka has declared a republic, Fiji's sugar protocol with the Community under the Lome Convention will have to be re-signatured, since it is currently in the name of Her Majesty's Government of Fiji.

A refusal by the EC would be devastating. All Fiji's sugar exports to Europe go to Britain, and specifically to Tate & Lyle, at prices up to four times the world level. In 1986 the arrangement brought in more than one-third of the country's export earnings.

In any event, cane farmers themselves may lose confidence in the new government and any constitutional changes it imposes, and next year's harvest might be even smaller. Unfulfilled EC quotas would quickly be shared out elsewhere.

According to the Reserve Bank, Fiji even before the latest military intervention could expect last year's real growth rate of 9.1 per cent to slump into a contraction of -12 per cent this year. With the latest events, all bets are off.

The most glaring impact of the upheavals has been on the Government's finances. The downturn has hit Government revenues, originally budgeted for 1987 at around F$386m (£185m). Col Rabuka has, meanwhile, doubled the size of the security forces from 2,600 to 5,500 and bought weapons in South Korea, Taiwan and Singapore.

At one stage, what was intended to be a near-balanced budget, with a deficit of just over F$1m, looked like being some F$60m in the red. But some key measures have been taken to limit the drain.

Operating expenditures have been reduced through 15 per cent pay cuts for civil servants, while the army is supposed to be taking a 25 per cent pay cut. Capital expenditures of F$92m have been slashed to F$72m.

Whether this is enough in the wake of Col Rabuka's second intervention is another matter. Last week, a signing ceremony was postponed for an important US$24m World Bank loan for a road-building programme. Aid from other countries worth around F$30m a year to Fiji is also at risk.

Covering the estimated F$20m deficit still outstanding is another problem. In August a F$10m government bond issue raised only F$1.3m. Treasury bills have fared no better, despite vastly more attractive yields since May. The Government has anyway reached the legal limit on the amount it can issue.

The problem is a general shortage of cash. As capital has flowed out, domestic liquidity has tightened. The Reserve Bank lifted its minimum lending rate and removed ceiling on bank deposit and lending rates. Both have soared, affecting most economic activity.

Between the end of May and the end of July, the Government's cash flow deficit quadrupled to F$32.5m, and the Reserve Bank has had to print money to help it out. At the beginning of the year, the Government's Ways and Means Account at the Reserve Bank was in credit. Now it is F$35m in debt.

Inevitably, Mr Savenaca Siwatibau, the Bank's Governor, has emerged as a key figure. His resistance to printing or lending more money has forced the Government's awkward expenditure cuts, and he is expected to stand firm in the new situation created by the second coup - assuming he stays at his post.

It was Mr Siwatibau who pushed through the 17.75 per cent devaluation of the Fiji dollar in June, after the country's reserves, which stood at a record F$195m at end 1986 and around F$170m at the time of the first coup, fell by F$19m in May and F$38m in June, to reach F$120m. Exchange controls were also tightened.

By last month, the reserve figure, measured in devalued Fiji dollars, had begun emerging from its trough. Then, Col Rabuka staged his second coup, prompting another bank run. Once again, there has since been arbitrary intervention in the running of the Bank.

Last Friday, all foreign exchange trading was halted on the orders of the military authorities because of suspicions about large currency transactions. Mr Siwatibau intervened to reverse the move. But it triggered a devaluation scare.

Queues of people are now trying to get on packed aircraft out of the country, joining the drain which has occurred since May. Worried investors are postponing major decisions.

A mass emigration of Indians, something Col Rabuka openly contemplates, would be still more damaging. Fiji's economy, in short, may not recover its pre-May position for a few years

Mugabe links opposition party with rebels

BY TONY HAWKINS IN HARARE

ZIMBABWE'S hardline policy against the minority opposition Zapu party, led by Mr Joshua Nkomo, has been described by Mr Robert Mugabe, the Prime Minister, as a "new initative" designed to eliminate the dissidents operating in the west of the country against the security forces.

Mr Mugabe leader of the ruling Zanu-PF party, says there is "immense evidence" linking the opposition Zapu with the dissidents, who have murdered 46 white farmers since independence as well as scores of government supporters.

Mr Nkomo and his top lieutenants have repeatedly denied these accusations but Mr Mugabe says that when the police closed Zapu's offices recently they uncovered conclusive evidence of Zapu's involvement with the dissidents.

The official media is claiming that there are, in fact, two distinct dissident groups - one which has links with Zapu and the other (Super-Zapu as it is known) which is controlled from South Africa as part of Pretoria's destabilisation campaign.

Officials say that Mr Nkomo has no influence at all with super-Zapu but that his party officials certainly influence the dissident groups. In support of this it is pointed out that no Zapu officials have been murdered by the dissidents.

Following the closure of Zapu's offices the Government announced that it had dissolved all six local government councils in Matabeleland North - where the dissidents have been extremely active. Mr Enos Nkala, the Home Affairs Minister, said the councils had been disbanded because they had been collaborating with the anti-government bandits.

The minister accused councillors of "unduly influencing council officials" and advising them not to co-operate with the Government.

These developments along with Mr Mugabe's accusation that Zapu is now trying to secure through dissident activity what it had lost through the ballot box, suggests that there is little likelihood of a merger between the two parties.

What is unclear is whether the Government's patience has been exhausted altogether and if so, how long it will wait before abandoning the merger objective altogether and establishing a one-party state by banning Zapu, which is the sole remaining political obstacle to such a development.

AMERICAN NEWS

Senate steps up pressure for Iran oil embargo

BY LIONEL BARBER IN WASHINGTON

ThE US Senate yesterday voted unanimously for the second time in a week to bar imports of Iranian oil, increasing pressure on the Reagan Administration to impose some form of trade sanctions against Tehran.

Senior US officials are expected to discuss an oil embargo this week. While some favour sanctions, others argue that they would have little effect on Iran's ability to sell oil and buy arms on the international market.

Pressure for a US embargo on Iranian oil and other imports has mounted in recent weeks in line with the military and diplomatic stand-off between Washington and Tehran in the Gulf.

Senators have also been angered by reports - confirmed officially last week - that the US has bought about $800m of Iranian oil this year, some $300m more than in 1986.

US oil companies have been taking advantage of cheaper prices on the day-to-day spot market where most Iranian oil is traded. Prices on longer-term contracts have tended to be more expensive because of the uncertainty caused by the tanker war in the Gulf.

Last week, the Senate approved an embargo as part of an amendment to the 1988 Defence Spending Bill. The bill faced a presidential veto because it imposed what Mr Reagan views as unacceptable curbs on the Star Wars defence system: a ban on advanced testing and the linked issue of re-interpreting the 1972 Anti-Ballistic Missile Treaty.

Yesterday's 93-0 vote for a blanket ban on Iranian goods coming into the US, part of a separate piece of legislation, aims to create a measure which the President would have less excuse not to approve.

Independent oil experts have said that a US embargo would be very difficult to enforce, even with Allied backing. But sponsors of the measure - led by Senator Robert Dole of Kansas, a 1988 presidential candidate - argue that Iran cannot expect "business as usual" as long as it refuses to negotiate an end to its war with Iraq.

Arias initiatives gather pace

BY ROBERT GRAHAM

THE PACE of individual initiatives set in motion by the Central American Peace Plan of President Oscar Arias of Costa Rica is gathering momentum.

The initial hurdle in contacts between the El Salvador Government and the rebels for renewed talks has been overcome and a reconciliation meeting has been held in the Nicaraguan capital of Managua between the Sandinista Government and the opposition parties. Today the Guatemalan Government is due to begin talks with the umbrella organisation of the Guatemalan guerrilla movement.

This week has seen a surge of activity prior to the November 7 deadline set by the five Central American Presidents in August for the initial elements in the peace process to be set up. So far, the Nicaraguan Government has been demonstrating the greatest number of initiatives - both in opening up the press and in renewing political liberties for parties operating inside the country, and in establishing ceasefire zones.

However, the main interest this week has centred on the first meeting in three years between the Salvadorean Government and representatives of the umbrella political and military organisation of the guerrillas, the FDR-FMLN. Two days of talks ended on Monday night with the announcement of the establishment of an eight-man ceasefire commission, composed equally of government and guerrilla members.

Statements after the meeting were more optimistic than some observers had anticipated. One of the leaders of the FDR, Mr Guillermo Ungo, said :'It took us almost three years to get a dialogue started and we achieved it.' He added the results of the negotiations had been 'sufficient to secure the continuity of dialogue.'

Meanwhile, in Madrid, talks are due to begin today between representatives of the Guatemalan Government and of the umbrella guerrilla organisation, the National Revolutionary Union (URNG). This is the first time in 25 years that such a meeting has been held. The Spanish Government has played a discreet part in bringing it about and has conducted the talks in secrecy. They are described by the Guatemalans as contacts and by the guerrillas as 'dialogue'.

Terrorism 'Peru's Number One threat'

BY BARBARA DURR IN LIMA

PERU'S prime minister, Mr Guillermo Larco Cox,has defined terrorism as the country's number one threat, in a major speech to Congress on the government's overall programme. Instead of outlining a new antiterrorist strategy, Mr Larco Cox said subversion must be combatted through 'profound changes of the social structure.'

On the economy,he painted a grim picture of the country's prospects,saying Peru faces accelerating inflation and production shortages. Inflation for this year is running about 100 per cent.

To offset a ballooning fiscal deficit, he said that taxation would be increased primarily using indirect taxes on consumption and that the government would make an effort to collect taxes from the vast underground economy, estimated to account for up to 60 per cent of GDP.

Foreign debt will be used as a mechanism to increase exports and production, the prime minister said, referring to the government's debt payment-in-kind scheme.

Mr Larco Cox said the government's annual growth goal for 1988 to 1990 is 5 per cent and that the fiscal deficit for that period should come down to below 4 per cent.

The prime minister also sharply criticised the state bureaucracy as 'the primary opposition force' to the government's programme.

AIDS 'to be chief killer of young Americans'

By James Buchan in New York

AIDS will soon be the chief cause of death for young Americans, a conference on the epidemic heard this week in New York.

Dr Peter Drotman, a senior researcher with the US Government's Centers for Disease Control in Atlanta, said the death toll from Acquired Immunity Deficiency Syndrome could be running at 54,000 a year by the turn of the decade. For American adults under 50, the disease is likely to be more devastating even than motor accidents, which claimed 47,800 lives last year but are in decline.

By 1991 - or possibly efrlier - Dr Drotman said that more than 250,000 young Americans will have died or become ill from AIDS, which entered the US about 10 years ago and is believed to be fatal. In contrast, some 47,000 US servicemen fell in battle in the Vietnam War.

'There are a quarter of a million unpreventable cases,' Dr Drotman said. 'Deaths will be unpreventable, unfortunately.'

Dr Drotman's assessment, presented at a conference arranged by the managament consultancy, Robert S. First, is the gloomiest yet presented by a government researcher.

AIDS, which suppresses the body's immune system and leaves it vulnerable to infection, has up to now been most widespread among homosexual men, who account for more than 70 per cent of the 41,366 reported US cases, and intravenous drug users.

Mr Stephen Joseph, Health Commissioner of New York City where AIDS is already the leading cause of death among young men aged 25-44, said: 'If we do not institute a vigorous and comprehensive national prevention programme within the next 18 to 24 months, we will fall behind in the epidemic among heterosexuals as we have with gay men and intravenous drug users.'

Chile strike today

CHILE'S trade unions will stage the first opposition challenge to the military government of President Auguste Pinochet in over a year, with a national protest strike planned for today, Reuter reports from Santiago.

Simon Henderson looks behind President Sarney's claims

Brazil set for uranium production

BRAZIL COULD be producing enriched uranium in significant quantities by 1988 or 1989, according to diplomats reviewing President Sarney's claim last month that his country had mastered the technology.

Satellite photographs indicate that foundations have been built for a large production facility at Ipero, 100 miles west of Sao Paulo, which will use high speed centrifuges. The technique has been developed at a research plant associated with the University of Sao Paulo.

Previous Brazilian attempts to enrich uranium using West German jet nozzle technology have failed on a commercial level. It became generally known several years ago that Brazil was also pursuing the centrifuge route. Brazil was introduced to centrifuge technology in the early 1950s when three examples designed by Nazi scientists were obtained from West Germany.

The new enrichment plant is not covered by international safeguards, and ambiguity in

Brazilian statements leaves open the possibility that it will be used for military purposes. The scientific effort is separate from that involved in the truncated, but still large, civil nuclear power programme.

The new plant will be run by the Brazilian navy, which has been tantalised by the prospect of acquiring a nuclear submarine ever since the Argentinian cruiser, General Belgrano, was sunk by a British nuclear submarine in the 1982 Falklands War. Brazil buys its submarines from abroad and will soon be taking delivery of two conventionally powered West German models, although it is thought unlikely that Brazil could re-engine these boats.

Western officials say 20 per cent enrichment of uranium would be sufficient, although not ideal, for a submarine. Natural uranium contains only 0.7 per cent of the fissile isotope, Uranium 235. The Ipero plant could produce at 20 per cent but could also produce the 90 per cent enrichment needed for an atomic bomb.

The timing of the announcement of Brazil's success was puzzling, adding to regional competitiveness with Argentina just weeks after President Sarney had accepted a surprise and conciliatory invitation to visit the unsafeguarded Argentinian enrichment plant at Pilcaniyeu in the Andes. That plant uses the less efficient diffusion technique, and does not appear to be able to enrich beyond 1 per cent, according to diplomats.

In order for Argentina to boost its enrichment programme, it would have to increase the power available to Pilcaniyeu but satellite photographs indicate no new electricity pylons.

Both countries are also working on techniques to re-process plutonium, another possible bomb material. Argentina appears more advanced with this method.

Brazil's success with centrifuge enrichment matches the example of Pakistan but should soon outpace it, as Brazil can make its own special steel needed for the centrifuges. Exports of this steel to Pakistan are restricted from the West because of concern that the enriched uranium will be used for nuclear weapons.

US plans tests on space-based laser weapons

THE US Defence Department has selected a team of contractors led by Martin Marietta Corp to produce a plan for Star Wars experiments that would prove space-based laser weapons are feasible, AP reports from Washington.

The Pentagon, in a brief statement on Monday, said Martin Marietta's Denver Aerospace division would receive a $10.8m contract for the three-month study.

Based on the results of that study, the Strategic Defence Initiative Organisation will decide whether to authorise the construction of a prototype laser system and testing of the device in space, the Pentagon added.

The Strategic Defence Initiative is the formal name for Star Wars, a research effort aimed at developing various exotic weapons that could be used to automatically shoot down nuclear ballistic missiles fired at the US or its allies.

In another development involving military lasers, the Pentagon released additional details on a navy experiment conducted last month at the White Sands Missile Range.

Salinas nomination prompts reshuffle

BY DAVID GARDNER IN MEXICO CITY

MR CARLOS Salinas de Gortari, named on Sunday as successor to President Miguel de la Madrid of Mexico, resigned last night as Planning Minister.

This starts the gradual reshuffle in both the Cabinet and the ruling Institutional Revolutionary Party (PRI) through which the incumbent President hands over key positions to his successor throughout the 14-month transition.

Mr Salinas faces what for all PRI candidates for high office is the formality of elections in July next year, before taking office in December.

Dr Pedro Aspe, Mr Salinas' deputy and closest economic aide, is expected to take over the Planning Ministry.

Dr Aspe is a former economics professor, who studied at the Massachusetts Institute of Technology under Prof Rudiger Dornbusch, the German-born economist associated with the 'heterodox shock' disinflation programmes attempted with mixed results last year in Brazil and Argentina.

Beyond this routine handover, however, few changes are expected in the major economic ministries, where Salinas allies are already in charge.

Gradual changes are expected in key political jobs, though Mr Manuel Bartlett, a Salinas rival for the nomination, is expected to stay at the Interior Ministry, partly in reward for the exemplary discipline he has shown throughout the confused, hermetic process of the 'unveiling' or *destape*.

Mr Salinas already counts as part of his inner political circle Mr Manuel Camacho, the Environment Minister, Mr Francisco Rojas, the head of Pemex, the state oil monopoly, Mr Emilio Gamboa, the president's private secretary, and to a lesser extent Mr Ramon Aguirre, Mexico City's mayor, who also ran for the nomination.

In addition he is expected to seek key party posts for an mix of old hands and political newcomers in his entourage.

The most prominent of the newcomers is Mr Otto Granados, who entered politics as secretary to the late Mr Jesus Reyes Heroles, the historian of Mexican liberalism and a central PRI figure for more than three decades.

Salinas:allies taking key posts

There are doubts, however, about the Energy Ministry, headed by Mr Salinas's main rival for the nomination, Mr Alfredo del Mazo.

Two hours before Mr Salinas was unveiled on Sunday, Mr del Mazo - unwittingly according to his aides - went on the radio to congratulate the Attorney-General.

Though Mr del Mazo later joined the queue to embrace the winner, many analysts interpreted his action as a calculated manoeuvre, with backing from the powerful pro-regime trade union overlord, 'Don Fidel' Velasquez, to deny Mr Salinas victory.

WORLD TRADE NEWS

Fears for Nissan and Ford US venture

By Stefan Wagstyl in Tokyo

A PLAN by Ford Motor of the US and Nissan Motor of Japan jointly to build a North American plant appears to be under threat.

The planned venture to manufacture van-like vehicles for commercial and leisure use was announced earlier this year and was seen as an attempt to bolster the two companies' positions in increasingly competitive world markets.

Reports in Tokyo said that at a recent meeting Mr Harold Poling, Ford's president, and Mr Yutaka Kume, his Nissan counterpart, agreed to cut by half to 100,000 vehicles a year the planned production of the proposed joint venture.

Nissan yesterday declined to comment on whether or not such an agreement had been reached but confirmed that if the joint venture were limited to 100,000 vehicles a year then a new factory would not be built.

The multi-purpose trucks could, however, be built at existing US plants.

The two partners are to continue a 'feasibility study,' due to be finished next spring, in which the options included building only 100,000 vehicles a year.

Reports said that Ford believed US demand might not be sufficient to support the venture as originally envisaged. Nevertheless, both companies intended to launch the truck in 1990 as initially proposed.

It was not clear what impact a possible cut in the scale of the joint venture might have on future co-operation between Ford and Nissan,which are both the number two producers in their home markets.

NEI contract

NEI Reyrolle, part of Northern Engineering Industries of the UK has won a £26m turnkey order for an electric substation in Saudi Arabia, Nick Garnett reports.

The order follows one worth £36m involving two substations for Saudi Arabia's national grid.

As with the first order, NEI is working with Sadelmi Cogeppi, the Italian civil engineering contractor, which will construct the substation in Riyadh, Saudi Arabia's capital.

David Buchan reports on the success of two British military technology groups

Tenacity key to US arms market

THE RECENT successes of Royal Ordnance (RO) and Marconi Communication of the UK in winning big US orders for two very different military technologies highlight both the need for tenacity and patience in breaking into the US defence market and the ultimate worth in doing so.

"RO had been working on this deal when I joined it in 1979," says Mr Peter McLoughlin, RO's marketing and sales director, about his company's new $105m contract to supply the US army with 81mm mortars and ammunition. RO had in fact won an earlier $80m contract for development and initial production of the mortars, but the latest deal was no foregone conclusion. Last year one of the houses of Congress "zeroed out" all money for the 81mm mortar in the 1986 defence bill, and it was only restored in a final House-Senate conference.

Marconi, for its part, was ready to break open the champagne several months ago when, in partnership with Rockwell of the US, it won a joint contract to develop a $3bn high-frequency anti-jam radio (HFAJ) system for the US navy, only to be kept on tenterhooks until this week by a bureaucratic procedure. This requires that, before starting even a previously authorised programme, the Pentagon give Congress 90 days' notice so that the latter body has the chance to judge whether the individual service has the men to run the programme properly.

As these two companies found, the Pentagon procurement staff's habit of following the fine print of their 30,000-page rule-books, and Congress's tendency to "second guess" Pentagon decisions and alter any of several hundred individual line item programmes in the budget is frustrating.

But British and other foreign companies consider it well worthwhile, and this is borne out by the fact that arms exports to the US reached a record $2.89bn in 1985-86 and Britain overtook Canada as the largest single supplier with sales of $1bn.

The would-be exporter's first requirement is to make himself and his products known at all of the obvious arm fairs and at some of the less obvious. Mr McLoughlin attributes part of RO's success to the fact that it was one of the first half dozen foreign companies to join the Association of the US Army, which meets every October at Washington's Sheraton Hotel for what the RO director describes as "part American Legion thrash, part equipment exhibition."

It was also to RO's good fortune that it was able to display another of its products, the 105mm light howitzer, with some of the gunners who had used it during the Falklands war, and to display it in the Pentagon's central forecourt. A company could have hardly had a better showplace and better showmen than that.

The second trick is clearly to interest a specific customer in a specific product, and keep him interested. RO benefited from a certain lack of domestic US competition, partly stemming from the ironic fact that the US arsenals, government-owned as RO (now part of British Aerospace) used to be, have been rather unresponsive to the market. None the less RO had to make some 100 engineering changes to Americanise its mortar. The most important of these, says Mr McLoughlin, were to fit a blast attenuation device "to protect the ears of the firers," and to waterproof the little cartridge propelling devices that fit on to the base of the bomb to vary its range.

"But just because the army wants your product doesn't mean you're going to get the contract," warns the RO director. Production, not just the product, usually has to be "Americanised." Mobilisation base rules require that the US produce, or be capable of producing, many of the arms it services use. On the mortar deal, RO is providing the US with a "technical data package," but only after it has sold such a quantity of UK-made tubes and bombs that Mr McLughlin believes that the Pentagon will only get US arsenals to make a few sample mortars to show they can do it.

The normal rule of thumb in the US market is that any foreign company with a defence contract of $100m or more must set up a domestic production base. In line with this, RO is licensing production with the Watervliet and Rock Island arsenals of its 105mm gun.

A simpler way of Americanising a contract is to team up with a US company, as RO is doing with BMY on several gun projects and Marconi has done with Rockwell to win the HFAJ secure radio contract. Such teaming has become popular, and eminently sensible, method of entry into the US market. Indeed, the current drive by foreign companies, including GEC, Marconi's parent, to acquire US defence contractors can be seen as a way of making teaming arrangements permanent.

Venezuela receives loan from Japanese

BY JOE MANN IN CARACAS

JAPANESE financial institutions, including the Export-Import Bank of Japan, will loan Venezuela $324m for a hydro-electric project on the Caroni River.

This is the largest single package of new loans Venezuela has received from foreign sources for several years.

The credit agreement is to be signed either later this month or in November.

Mr Leopoldo Sucre Figarella, Venezuela's State Minister for the Development of the Guayana Region, announced the Japanese loans after signing a $20m credit with Spain's Foreign Trade Fund (Fococex).

The Spanish credit, part of a $100m line to Venezuela, covers part of an expansion programme being carried out by Alcasa, one of the government-controlled aluminium smelters in the Guayana industrial zone of south Venezuela.

The Caroni River project, Macagua II, is to be built by Edelca, a government-owned electric power company, and will have a capacity of 2,540 megawatts.

Venezuela earlier this year completed work on another hydro-electric complex on the Caroni River, the Guri Dam, with generating capacity of 10,000 megawatts.

The Japanese credits follow an official visit to Venezuela by Japan's Foreign Minister, Mr Todashi Kuranari. Earlier this month, the head of Japan's Eximbank said in Washington that its bank would loan Venezuela $100m for development of a bauxite ore mine.

In addition, Mitsubishi recently granted a $12.9m loan to Venalum, another major Venezuela aluminium producer.

The Japanese credits are part of a new wave of loans that Venezuela has obtained for financing aluminium industry expansions and other industrial projects.

Mr Sucre said that a regional development company under his control, the Venezuelan Guayana Corporation (CVG), had obtained $1,500m in trade and project finance credits for its industrial projects.

This represents considerable progress for Venezuela, which has had difficulty finding new overseas loans following a major devaluation of its currency in 1983 and subsequent problems with public and private foreign debt.

Caribbean leaders renew trade change call

By Canute James in Kingston

CARIBBEAN leaders have renewed calls for changes to a US preferential trade programme for the region, amid indications that the value of the Caribbean exports to the US is continuing to fall.

The programme, the Caribbean Basin Initiative, was implemented in January 1984, and planned to run for 12 years, allowing 22 countries designated by Washington to ship a range of products duy free to the US.

Figures from the US Department of Commerce, however, show that between January and June this year, the exports to the US from the 22 countries fell by 6.2 per cent below the corresponding period of last year,to $3.22bn.

Caribbean government officials say they expect the value of exports to the US this year will be below the $6.49bn of last year. The value of exports from the 22 countries fell from $9.13bn in 1984 to $7.11bn in 1985.

Although the reduction has been mainly the result of reduced earnings from petroleum through lower prices and the progressive reduction of the US sugar import quotas for several countries in the region, Caribbean leaders argue that proposed legislation before the US Congress for expanding the trade programme should be passed and implemented to reverse the decline.

Duty-free treatment is not extended to garments and leather goods - sectors which Caribbean countries believe would really improve their exports. The proposed legislation suggests improved access for these products.

"The Caribbean is far too small as a production area ... to have any damaging effect on the US economy," argued Mr Edward Seaga, Prime Minister and Finance Minister of Jamaica. The US Congress knows this and we hope congressmen will not adopt a protectionist position in dealing with Caribbean trade."

Mr Manuel Esquivel, Prime Minister of Belize, said the review of the legislation by the Congress was heartening. "Congress and the administration see the need for the a system to allow smaller countries to participate in the Initiative."

Airbus absorbs order deferral

By MICHAEL DONNE, AEROSPACE CORRESPONDENT

AIRBUS INDUSTRIE, the European airliner manufacturing group, expects the nine A-320 airliners deferred by Australian Airlines to be absorbed quickly by other airlines, with no cuts in production.

Mr Neil Smith, chairman of Australian Airlines, has confirmed reports that the airline was deferring its decision to buy the nine A-320s with V-2500 engines.

The airline is concerned at the impact of introducing a new type of aircraft at a time when Australia's domestic aviation was moving towards a more competitive regime with attendant pressures on costs.

The airline retains the right to re-schedule delivery of the aircraft during the 1990s "under agreed terms and conditions."

Mr Stuart Iddles, senior vice-president, commercial, of Airbus, said that with 287 A-320s firmly ordered (with more than another 150 on option), Airbus expects the previous Australian Airline delivery positions in 1989-90 will be quickly taken up by other customers.

● A route-swap between the two major Canadian airlines - Air Canada and Canadian Airlines International - will enable both to expand

Some 20 new markets will be available to Air Canada, including Portugal, Spain, Greece, Turkey, Israel, Tunisia, Algeria, Morocco, and the Middle East. Air Canada will also be able to fly trans-Pacific to Korea, the Philippines, Malaysia and Singapore.

Canadian Airlines will receive rights to Munich, Frankfurt, Denmark, Sweden, Norway, the Soviet Union, Mexico, Central and South America (except Venezuela), Indonesia, Taiwan, Delhi and Calcutta.

● Pan American World Airways and Aeroflot, the Soviet airline, have agreed to start non-stop Boeing 747 Jumbo jet services between New York and Moscow from May 15.

Japan car imports rise 37%

BY IAN RODGER IN TOKYO

SALES of imported cars in Japan rose 37.3 per cent in September, with West German companies well in the lead, according to the Japan Automobile Importers Association (JAIA). But the number of cars being imported is still small - amounting to only 10,089 units in September

The association attributed the increase to cuts in retail prices of imports, made possible by the higher value of the yen, and to the lower interest rates being offered by some distributors on loans for imported cars.

In the first nine months of the year, sales of imported cars in Japan totalled 71,674 units, up 42.2 per cent from the same period last year and already above the 68,357 units imported in the whole of last year.

JAIA forecast that import volume this year would reach a record 90,000 units, an increase of 30 per cent.

Last year,imports took 2.2 per cent of the Japanese car market, compared with a 56 per cent import share in the UK, 32.4 per cent in West Germany and 28.3 per cent in the US.

The leading imported cars in Japan are BMW and Mercedes models. In September, imports of West German cars reached 8,012 units, 79 per cent of the total. The UK was second with 591 units followed by Sweden with 452 units.

Reuter reports from Tokyo: US trade sanctions imposed in retaliation for Japan's alleged failure to abide by a US-Japan pact on semiconductor trade are having an effect, Mr Andrew Procassini, president of the US Semiconductor Industry Association, said.

But the sanctions should not be lifted until Japanese microchip users are meeting access targets, he added.

UK NEWS

GOVERNMENT MAY HASTEN INTRODUCTION OF COMMUNITY CHARGE

Tories look towards fourth term

BY PETER RIDDELL, POLITICAL EDITOR

THE GOVERNMENT may reconsider the timing of the introduction of the universal community charge or poll tax to replace domestic rates (local property taxes) after vigorous rank-and-file demands at the Conservative Party conference at Blackpool for an immediate changeover rather than a phased one over four years as at present envisaged.

The first day of the conference was marked both by cogratulatory mood over the Tories' third successive election win last June and by demands for the rapid implementation of commitments made at the time of the general election.

In a robust speech Mr Norman Tebbit, the outgoing party chairman, said there must be no dilution of existing policies.

The party could not relax, but had to begin the work to justify a fourth victory by carrying 'the social revolution into new areas' such as housing and education.

The impatience to get on was highlighted in the rates debate. The loudest applause of the day was given to former MP Mr Gerry Malone who was the first among several speakers to argue that the community charge should be introduced at one stroke, as in Scotland.

This was, paradoxically, the initial preference of Mr Nicholas Ridley, the Environment Secretary, who was earlier this summer persuaded by Cabinet colleagues to agree to a phased timetable, starting the change in 1990.

Mr Ridley said after the debate that he would listen to the suggestions and would consider the idea of, for example, allowing individual local authorities to proceed more rapidly if they wish, though this might create considerable problems with the present mechanism for redistributing rate support grant around the country.

The vocal support for urgent implementation was contrary to earlier expectations that opposition toll the charge would be expressed. Only two of the nine speakers were at all critical of the proposal, although this may reflect the heavily managed character of Tory conferences and the doubts of a number of Conservative local councillors and backbench MPs were not reflected.

In his keynote speech Mr Tebbit argued that because of opposition divisions the Tories faced 'the burden for perhaps the next decade, until a credible alternative is created, of being a government that must not fail, that must not lose the confidence of the electors, that must not stumble, because there is no other party fit to govern.'

He said the Tories should now take the middle ground, not by a lurch of their policies to the left. 'Our task is to establish the new political consensus within which our opponents must work by drawing the middle ground towards us.

That is the purpose of our drive to spread privilege more widely, to offer, not least through education reform on the enterprise culture, opportunity for every citizen.'

Mr Douglas Hurd, the Home Secretary, faces a heated debate this afternoon on law and order. This will be preceded by a lunchtime fringe meeting of the right-wing Monday Club when a nationwide campaign for a referendum on the return of capital punishment will be launched.

Some local councillors told Mr Kenneth Baker, the Education Secretary, at a fringe meeting that they had doubts about his proposals to allow schools to opt out of local authority control.

In reply Mr Baker said he thought 'many schools' would take the opportunity to transfer to grant-maintained status.

Differences of emphasis on the approach to inner cities policy also surfaced during the day. Delivering a lecture to the Young Conservatives, Mr Michael Heseltine, the former Defence Secretary emphasised the role of the public sector in stimulating the regeneration of run down urban areas since he said the private sector alone could not do it.

However, in yesterday's debate on the inner cities Mr Kenneth Clarke, Minister for Trade and Industry, said the Government looked 'above all to the private sector to provide the investment, expertise and leadership that is lacking in our inner cities.'

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The opposition Labour Party yesterday cleared the decks for a rethink on tax policies. Mr John Smith, the party's Treasury spokesman, promised a "fair tax" campaign at a two-day party summit at which the party prepared to reinforce its economic team. He declined, however, to be drawn on the kind of policies he had in mind. Mr Smith, who is tipped as a future right-wing leader of the party, said he planned a whistle-stop tour of the US shortly to discuss economic policies. He said he planned to have talks on international economic affairs at the World Bank, International Monetary Fund and at the US Treasury.

Younger stresses role of deterrent with Trident order

BY OUR POLITICAL EDITOR

AN ORDER for a second Trident submarine and a commitment to purchase four new frigates for the Royal Navy, together costing more than £1bn, were announced yesterday by Mr George Younger, the Defence Secretary.

Winding up the defence debate at the Conservative Party conference in Blackpool, Mr Younger said the announcements gave "the lie to the claim that Britain can only maintain an effective deterrent at the cost of weakening our surface fleet".

He said they offered the clearest demonstration of the Government's commitment to balanced forces "in which neither the modernisation of our nuclear deterrent nor our conventional forces can be neglected".

The Ministry of Defence placed the order yesterday with Vickers of Barrow for the second Trident missile submarine, HMS Victorious. Together with spares though excluding the missiles, this will cost about £500m. Mr Younger said the Trident programme was "on course for completion in the timescale required and the cost is falling".

The first submarine, HMS Vanguard, will enter service with the navy in 1992 and become effective as part of the British deterrent in 1994, with HMS Victorious roughly a year behind. The third of the planned four Trident submarines will be ordered in about a year's time.

The Ministry of Defence also invited competitive tenders for up to a further four Type 23 'Duke' Class frigates for the Royal Navy in addition to the two already ordered. Depending on the number and final distribution of the orders the cost per frigate is likely to be about £120m. There are no commitments to any particular yard though Yarrow, Swan Hunter Cammell Laird and Vosper are all expected to be interested.

The first order will be placed early next year with the other spread over the following two years.

In his speech Mr Younger stressed categorically, that the present Polaris system would be replaced by Trident. He rejected Labour claims that the forthcoming US/Soviet agreement to reduce intermediate range nuclear weapons was the first step on the road to 'a utopian nuclear-free Europe'

Mr Younger said that nuclear weapons would undoubtedly remain the foundation for European security 'for the foreseeable future ' He said that a world without nuclear weapons would have to be one from which the conventional threat had also been eradicated.

In particular, he said that 'in the shorter term the further we go down the path to reducing nuclear weapons the more important it will be to tackle the Soviet Union's overwhelming superiority in conventional weapons as well as in chemical weapons". He said that Nato must therefore maintain the protection of nuclear weapons until we are confident that we have a better way to keep the peace.'

The contract for HMS Victorious includes a clause limiting the MoD's liabilities in the event of cancellation to 100 per cent of the contract value. A limit of 125 per cent of the contract value applied to HMS Vanguard, the first of the class, which was more expensive than the second, and the third and fourth submarines which are expected to be ordered next year and in 1989.

The invitations to offer competitive tenders for the next four Type 23 frigates will be sought from all UK shipbuilders with the appropriate capabilities - Yarrow Shipbuilders on the Clyde, which is building three Type 23 frigates; Swan Hunter Shipbuilders on the Tyne, which is building one Type 23 frigate; Vosper Thornycroft (UK); and the VSEL/Cammell Laird group.

Fears grow over national firemen's strike

BY CHARLES LEADBEATER, LABOUR STAFF

DANGER of a widescale firemen's strike grew yesterday as leaders of the Fire Birgades Union warned that the dispute over the South Wales plan to reorganise its fire service could escalate to national level.

The warning came as firefighters in 15 other authorities started industrial action in support of 360 colleagues who were said to have breached their contracts by refusing to give a pledge that they would not stage a series of strikes.

Fire brigades in Greater Manchester, Lancashire, Cumbria, Merseyside, West Midlands, Glasgow and the Northeast yesterday began working to rule by refusing to carry out routine drills.

The dispute escalated as local council officials and the union agreed to hold separate talks with Acas, the conciliation service, in London this morning. The FBU national executive council will meet in the afternoon to consider whether it should call for national industrial action over the dispute.

There was little optimism yesterday that the Acas talks would provide a formula to end the dispute. Mr Ken Cameron, the union's general secretary, on a visit to West Glamorgan said: "My worry is that it could escalate into a national strike over an issue which I am certain could be settled with goodwill on both sides."

Mr David Higgs, the union's national officer, said it was the most serious dispute since the national firemen's strike in 1977.

The 360 firemen continued to report to their stations yesterday despite the council's decision to call in a fleet of 35-year-old Green Goddess fire engines manned by soldiers to provide fire cover.

However, a senior council official indicated that it might take further steps against the men within the next few days. He said: "They are not being employed by us or paid by us. We have not locked them out - yet."

Baring pays top UK salary of £2.5m

BY MICHAEL SKAPINKER

MR CHRISTOPHER HEATH, managing director of Baring Securities, the securities subsidiary of Baring Brothers, the merchant bank, has emerged as the newest holder of the title of Britain's highest paid executive, with a pay and benefits package of just over £2.5m in the company's last financial year.

According to a report by Charterhouse, the merchant banking and financial services group, second place is held by Mr Michael Slade, managing director of the property company Helical Bar, who earns £1,106,000.

Third place is held by Mr Peter Stormonth Darling, chairman of Mercury Asset Management, who earns £1,051,000. Mercury Asset Management is 75 per cent owned by the SG Warburg Group.

Sir Ralph Halpern, chairman of the Burton Group, who has often been referred to as Britain's highest-paid executive, is now in fourth place on £1,004,000.

By contrast, the typical British manager earns a total of £26,043, according to another report out yesterday by Inbucon Management Consultants.

The typical manager, Inbucon said, is 45 years old, has been in his job for five years and with his present company for 13 years. He has a company car and pays between 5 and 7 per cent of his salary to his company pension scheme.

Inbucon found that Britain's senior and middle managers received pay increases averaging 9.3 per cent in the year to July 1987. Their report, however, shows wide variations among the 7,080 executives surveyed, with almost one third receiving increases of less than 6 per cent. Another third saw their pay rise by more than 10 per cent. Six per cent of the managers received increases of more than 20 per cent.

Managers in the financial services sector fared best of all, with average increases of 12 per cent.

Government warning on passport delays

THE British Government has warned travellers seeking passports not to send any applications to the main London passport office because of a dispute over the dismissal of a civil servant, our Labour Editor writes.

Some staff at the principal London passport office have been on strike since September 11 following the dismissal of a clerical officer, and staff at local unemployment and benefit offices held one-day strikes in support last week.

The Home Office said that other staff were still working at the office, but it acknowledged that the processing time on passport applications was now 10 weeks, compared with about two weeks in regional offices. The Home Office says the administrative assistant at the centre of the dispute was dismissed following persistently poor time-keeping and attendance, but his union, the Civil and Public Services Association, say he is being victimised.

The CPSA is insisting in talks that the officer should be reinstated before discussions take place on more general problems.

BBC Fiji service

BBC World Service has boosted the audibility of its news and current affairs broadcasts to Fiji through a link-up with Radio Australia. "This is an important piece of co-operation at a crucial time for listeners in Fiji," said World Service editor Anthony Rendell. An extra two-and-a-half hours of coverage of world events will become available. Last week, the Queen's message to Fiji was broadcast on the World Service.

Halle cash crisis

MANCHESTER-based Halle Orchestra may have to cut its concert programme because of a growing cash crisis. The orchestra, which played 184 domestic and 12 overseas performances last year, lost £293,000 according to its annual accounts.

Soames leaves £2.1m

LORD SOAMES, who died recently aged 66, left a net estate valued at £2.1m. As the last governor of Rhodesia he oversaw the creation of an independent Zimbabwe.

Early 1988 potatoes

THE FIRST crop of 1988 Irish potatoes went on sale three months early in Dublin and fetched £10 each. Two small boxes, each containing 20 potatoes, were bought at the vegetable market auction for £400 by a local restaurant owner.

Smoker gets help

PRO-TOBACCO lobby group Freedom Organisation for the Right to Enjoy Smoking Tobacco is to offer financial backing to Dennis Rogers who quit his £12,000-a-year job after his employers said it would impose a smoking ban from next January.

New structure of NEDC has 14 industry groups

BY HAZEL DUFFY

MR NIGEL LAWSON, the Chancellor, yesterday announced a new structure of sector groups within the National Economic Development Council which cuts the number of groups covering particular industrial sectors and makes them more accountable to the Government.

The Chancellor has, however, made some concessions in the light of representations by the National Economic Development Office, the Confederation of British Industry and the Trades Union Congress.

The new arrangements, detailed in a letter from Mr Lawson to Mr John Cassels, director general of Nedo, were generally welcomed by the CBI as being very much on the lines advocated by the employers' body. The TUC, although deprecating much that was still "arbitrary in the announcement", said that it would "endeavour to ensure its success."

There will be 14 sector groups and three working parties, replacing the 38 economic development committees. They will cover major industries, including engineering where there had been concern that the Chancellor's original proposals would seriously reduce Nedo's activities.

The construction industry sector group is to be widened to include engineering construction. Sector groups in the electronics field will be redefined to cover a wider field.

In future, Nedo will have to specify a budget for each of the sector groups and go to the Treasury which will decide the allocation. Previously, Nedo had an overall budget which it decided how to allocate.

The work of the groups will be reviewed by the existing G4 strategy committee, chaired by Mr Cassels, with Sir Peter Middleton, Permanent Secretary at the Treasury, the CBI director general, and the general secretary of the TUC.

The groups will be able to set up working parties which are envisaged as bodies operating for set periods of time, usually no more than a year, and expected to cease once they have completed their remit.

The three current working parties include that of the maker-user, packaging, and innovation.

G4 will meet annually to consider a report drafted by Nedo on the committee structure and which will then bid for funds for the coming financial year on the basis of specific budgets for each committee.

Labour sets up economic and industrial think tank

BY TOM LYNCH

THE LABOUR PARTY is to set up a new policy think tank to sharpen its attack on government economic, financial and industrial policy.

The shadow Cabinet, meeting yesterday in Rottingdean, Sussex, agreed that its economic subcommittee, set up in the wake of the general election defeat, would be serviced by a new economic secretariat.

The group will be chaired by Mr Gordon Brown, the shadow Financial Secretary to the Treasury, and will consist of all the economic researchers working in the office of Mr Neil Kinnock, the party leader, and other Shadow Cabinet members. Academic experts, whose names have not yet been made known, have been recruited to help with economic modelling and forecasting.

Mr John Smith, the shadow chancellor, intends the secretariat to provide quick and up-to-the minute briefings for the Shadow Cabinet and interested backbenchers on economic, industrial and financial issues, as well as in developing the party's longer-term thinking.

It will also help in a campaign the party plans to run up to the next Budget. The Fair Tax Campaign will attack the Government's proposed community charge, or poll tax, as well as the structure of the present income tax system, which Labour sees as weighted against ordinary wage earners.

Speaker rejects plea on security pass

BY TOM LYNCH

MR BERNARD WEATHERILL, the Speaker of the Commons, yesterday turned down a plea from Mr Jeremy Corbyn, Labour MP for Islington North, to reinstate the security pass of Mr Ronan Bennett, Mr Corbyn's research assistant, who was cleared on appeal in 1975 of a murder in Northern Ireland.

Mr Corbyn has threatened to put down a censure motion on the Speaker over his decision to suspend the pass, which is thought to have been taken on security advice and the Government is expected to allow a Commons debate on the subject soon after the summer recess.

The MP said last night he had emphasised to the Speaker that Mr Bennett had no criminal convictions. The Speaker's office refused to comment on the meeting but Mr Corbyn said Mr Weatherill had insisted that the suspension would continue until the Commons resumes on October 21, after which it would be debated or referred to the services committee of MPs.

The withdrawal of his pass means that Mr Bennett does not have access to the more security-sensitive parts of the Palace of Westminster. Mr Corbyn said he would continue to employ Mr Bennett for research on the Prevention of Terrorism Act and on the cases of the four people jailed for the Guildford pub bombing.

The MP's statement last night said that after Mr Bennett's 1975 acquittal he had been held under the Prevention of Terrorism Act but had been released without charge and was later acquitted on a conspiracy charge.

Fujitsu to launch new range of computers

By Terry Dodsworth, Industrial Editor

FUJITSU, the leading Japanese computer manufacturer, is making its first big push in the European market for medium-sized machines with the launch of a new product range in the UK.

The introduction of the minicomputer line follows a similar drive in the US. It underscores Fujitsu's attempts to establish its computer activities outside Japan, where up to now it has concentrated on collaborative ventures with foreign suppliers of large mainframe machines.

Fujitsu's new strategy is aimed at establishing a position in the minicomputer section of the market. Such machines, more powerful than personal computers but not capable of the large processing duties tackled by mainframes, are designed to cater for corporate computing needs at a departmental level.

In the last few years, the departmental processing field has grown particularly swiftly, spurred on by the rapid expansion of Digital Equipment of the US. Companies have been attracted to such machines because they are small enough to be fitted into an office and can be linked up in networks with a number of terminals attached.

Fujitsu will be faced with tough competition breaking into the sector, the growth of which has already attracted a number of new suppliers.

The key to the group's growth prospects is likely to lie in the operating system it uses for its machines - a system know as Pick. Mr Iwao Shindate, general manager of Fujitsu Europe, said yesterday the company had chosen Pick because it was easy to use and was rapidly gaining more support in the market. That meant there would be an increasing amount of applications software to run.

Fujitsu has had a subsidiary in the UK since 1981 and employs 170 people. Its main independent activity up to now has been in storage devices for computers and in semiconductors, but it also has an agreement with ICL, the leading UK computer company, to supply some of the main components for its range of large computers.

Bank silent on chief's Lloyd's role

By Nick Bunker

THE BANK of England yesterday refused to make a statement about the personal involvement of Mr Robin Leigh-Pemberton, the Bank's governor, in the forthcoming election of members of the ruling Council of Lloyd's of London.

It emerged on Monday night that Mr Leigh-Pemberton was one of 16 people who had acted as proposers for one of the candidates, Mr William Birch Reynardson.

Mr Leigh-Pemberton's role in the election has angered some members of Lloyd's and worried other candidates in the election, because as governor Mr Leigh-Pemberton is responsible for keeping watch on the affairs of Lloyd's.

Mr David Ingram, a Bank of England press officer, said the Bank could not comment on the matter on its own behalf or on behalf of the governor.

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Raymond Snoddy meets the chief executive of British Satellite Broadcasting

One last run for satellite TV's latest convert

THE NEXT career move of Mr Anthony Simonds-Gooding might have been to run a large, established blue-chip British company. He had a track record as former chief executive of Whitbread, the brewing group, and as chief executive of Saatchi & Saatchi's communication division, accounting for 80 per cent of the advertising and consultancy group's activities. The headhunters called from time to time.

Instead, Mr Simonds-Gooding, at 50, has taken on running a high-risk start-up company, British Satellite Broadcasting, the UK's £625m direct-broadcasting-by-satellite venture.

When first approached he was not particularly interested: satellites, chips and dish-aerials were not something he had been concerned with.

However, he was impressed by the companies involved - the investors range from Granada, Virgin and Pearson, publisher of the Financial Times, to the Bond Corporation of Australia, Next and Reed International - and by shareholders appearing to have a clear idea of where they wanted to go.

He says that by the time the venture's nature had been fully explained it was "like going to the tailor and finding the suit fits very well."

He decided, to the surprise of friends and colleagues at Saatchi and in spite of many inducements to stay, to become chief executive of BSB, to run what is claimed as the world's first high-power private-sector DBS venture. The consortium plans to begin broadcasting three national television channels from space direct to individual homes from autumn 1989.

"I thought it would be enormous fun and really, really interesting to have one big thing left to do. One last run," says the Dublin-born former prop forward with the London Irish rugby team.

Mr Simonds-Gooding was talking yesterday about why he decided to leave Saatchi and how he will approach the task of trying to turn BSB, a technology and investment-led venture, into a marketing-driven consumer success.

"Some time, some way, somehow there is going to be a successful satellite operation in the UK. I would bet a pound to a gooseberry that we are not going to have just four buttons on our television sets for ever," he says.

The BSB chief executive is still tidying up at Saatchi. So far his philosophy for BSB, a venture he calls a good wheeze, is contained on two sides of a piece of writing paper. None the less, the headings he has written clearly indicate how he intends to approach the task.

Anthony Simonds-Gooding: learning from apple fritters

He believes the main opposition is neither other satellite channels nor cable television, but existing UK broadcasting bodies. The aim is to create a third force in British broadcasting, a top blue-chip competitor to the BBC and ITV system.

'We're not going to have just four buttons on our television sets forever'

"If we are really lucky we can bring off something spectacular and special," says Mr Simonds-Gooding, whose salary package at BSB is believed to be about £225,000.

He regards Astra, the 16-channel, Luxembourg-based satellite due to be launched next year as simply a lower-cost, less-ambitious project than BSB. "It is not beyond my imagination to believe there is room for both," he says.

His immediate priorities are to try to ensure that the receiving equipment for BSB is available in time and at the right price, and to persuade the Government that new competition in broadcasting should be introduced "in a way the market can take."

Mr Simonds-Gooding, who describes himself as someone with wide, gregarious interests, has been involved in three large ventures in his business career.

He participated in the diversification of Whitbread away from a purely UK-based brewing company and, later, as chief executive, in replacing geographical divisions with a national structure based on the companies' different activities. "When I left, £50m was wiped off Whitbread's shares - although they soon recovered," he says.

He says he is, most of all, massively proud of the integration of Saatchi's US acquisitions into a structure he believes will stand the company in good stead for many years.

However, one early experience, at Unilever, was less successful. The young Simonds-Gooding was manager of a new product - apple fritters: the market research was wonderful; people liked the taste.

But there was a problem: "We didn't sell a packet. It didn't conform to people's habits. No one wanted to get up in the middle of a meal and fry the pud."

He is well aware that in his new job, rather like the case of the apple fritters, he will have to forge new habits and break new ground.

"There is no habit for satellite television: there is no habit of buying satellite receivers. We have to make it happen," says the man who can hardly wait to begin his new "exciting adventure".

Policy on inner cities under attack

BY HAZEL DUFFY

GOVERNMENT POLICY on the inner cities has come under attack from three independent sources.

A report from a commission on private house building in inner cities says that the total grants paid out by the Environment Department should be doubled from £400m to £800m to stimulate more private investment.

The independent commission was appointed by the House Builders' Federation and chaired by Mr Wyndham Thomas, who is a board member of the London Docklands Development Corporation and chairman of Inner City Enterprises.

It is also calling on the Government to consider setting up land agencies to assemble land for development, principally for housing, on a commercial basis. London, the north-west and Yorkshire are suggested areas.

The commission says that house builders should also be more active in seeking out sites and offering partnerships to local authorities.

Mr David Hall, director of the Town and Country Planning Association, has identified "three fundamental deficiencies" in the approach to urban regeneration: the lack of adequate strategies for the urban areas; insufficient investment; and the lack of proper mechanisms for community participation.

He says: "We do not have clear objectives about what is needed. We have job creation programmes without knowing how many jobs we wish to create, of what kind, or in what locations.

"Nor do we know how many houses, of what type, and what density, and in what locations they should best be provided."

The Royal Town Planning Institute, meanwhile, in response to the government's consultation on the proposed introduction of Simplified Planning Zones, says that the simple reduction of planning controls would not be enough of an incentive to attract developers or investors in the absence of any financial advantages in the zones.

As an alternative, it suggests that "off the shelf" outline planning permission be made available on adoption of a local plan.

● Investors in Industry, the venture capital group, has set up a £10m Inner City Venture Fund to provide equity backing to business start-ups and expansion schemes.

It will focus on the 16 inner-city areas that have a government task force. Shareholdings in new business ventures will be on a minority basis.

The new fund will enable the group to strengthen its presence in the smaller end of the investment market, concentrating particularly on equity investments in the £20,000 to £50,000 area.

Cheat fined £700

Financial Times Reporter

A MAN who tried to obtain 200,000 British Airways shares with 55 applications when the company was privatised was fined a total of £700 at the Old Bailey yesterday.

Mr Justice Mars-Jones said he had considered jailing Mr Khalid Ahmed, 21, of Nuneaton, but defence counsel Mr Steven Kay had persuaded him not to make an example of Mr Ahmed's crime.

Mr Kay told the judge that Mr Ahmed's unsophisticated attempts to obtain shares using the names of prominent people were in "the fourth division."

The judge had postponed sentencing in order to hear how Lord Lane, the Lord Chief Justice, dealt with former MP Mr Keith Best's appeal.

Mr Best's four-month jail term was quashed on Monday and his fine increased by £1,500 to £4,500.

Unions want BA-BCal merger

BY MICHAEL DONNE, AEROSPACE CORRESPONDENT

TRADE UNIONS in the air transport industry are in favour of the proposed merger between British Airways and British Caledonian Airways being approved by both the Monopolies Commission and The Government.

Evidence submitted some time ago to the commission by the National Joint Council of the unions has now been published. It makes clear that the unions believe "there is no sensible alternative to allowing the merger to go ahead".

But the unions accept that there must be some framework of regulation to reassure other independent airlines that their competitive positions would not be jeopardised by the merger.

However, the unions argue that, given the possibility that air traffic might double by the beginning of the next century, "there ought to be plenty of opportunities for the specialised, regional and smaller network carriers to expand". They emphasise that trades unionists can gain from an expansion of traffic which, in turn, is derived from greater efficiency, lower fares and a widening of user choice.

Nevertheless, they also emphasise that air transport is an international industry, "and we urge the commission to place little weight on parochial concerns about competition between British carriers.

"The real competition against British operators is from abroad; we must never forget that", they say, adding that, as a result, "we must recognise the economic and institutional logic of letting the merger go ahead".

Manchester gives up Ship Canal

By Paul Cheeseright, Property Correspondent

MANCHESTER City Council is to give up its century-old control of Manchester Ship Canal Company, but will be associated with it in a new property development company to undertake inner-city renewal projects.

The company controls 6,000 acres of land and 900 acres of water, running from Ellesmere Port, south of the Mersey, to central Manchester. It was set up to provide Manchester with access to the sea but ran into financial trouble and was rescued by the council.

The council will seek statutory changes to alter the company's constitution. They will remove the council's right to appoint a majority of directors and control its external borrowings.

Manchester Ship Canal, as part of the realignment that will give control of the company to the shareholders, will repay all its borrowings from the council. That will give the council £7m and ease the economies of £110m it is seeking to make for 1988-89, when it will be rate-capped.

The council had no equity in the company, which since February has been controlled by Highams, a private company controlled by Mr John Whittaker, the property developer and investor.

The Ship Canal Company will keep open the upper reaches of the canal. It will have 51 per cent of the property development company and the council 49 per cent.

Banham plea to industry over skill problems

BY HAZEL DUFFY

MR JOHN BANHAM, director general of the Confederation of British Industry, called yesterday on business to solve its skill problems and overcome one of the main handicaps to greater competitiveness of industry.

He stressed that business could not look to the public sector to solve its skill problems. "We should perhaps take a tip from the farmers and note an old Norfolk saying: Live your life as though you will die tomorrow but farm your land as though you will live forever.

"Too many businesses are farming their assets as though they don't expect to have a future."

Skill shortages existed in every region in spite of high levels of unemployment and many companies were concerned that they could not recruit enough skilled people. "Skill training must be improved to overcome these shortages and reduce escalating costs."

The problems of training went hand in hand with failures in the education system.

Mr Banham's remarks were made in the wake of the CBI's annual presentation on pay to employers which showed that pay pressure on employers is increasing reflecting the fall in unemployment and the growth in vacancies.

Eagle Star in joint Spanish fund venture

By Nick Bunker

EAGLE STAR, the British composite insurer, has formed a pension fund management company in Spain jointly owned with Tabacalera, the Spanish tobacco manufacturer.

The move comes at a time when British insurance companies are showing increasing interest in Spain and other parts of southern Europe.

The pension fund management company will be 51 per cent owned by Eagle Star, and 49 per cent by Tabacalera. The Spanish company has a business association with the tobacco interests of Eagle Star's owner, BAT Industries.

Murdoch's Sky losses £10.19m

By Raymond Snoddy

THE LOSSES of Mr Rupert Murdoch's satellite channel Sky in the year to last June, before tax and after interest, were £10.19m and not £14.6m as reported in yesterday's Financial Times. The loss for the previous year was £5.68m.

The figures for last year in News Corporation's accounts, expressed in Australian dollars, were after tax while this year's figures were preliminary before tax. Since the report was printed there has been a further downward adjustment of losses, to £10.19m.

Car sales reach September record

BY KENNETH GOODING, MOTOR INDUSTRY CORRESPONDENT

STRIKING CONTRASTS in the fortunes of the UK-based car companies this year were spotlighted last month as car sales reached a September record.

The Rover group's share of the UK new car market dropped to 13.1 per cent, the lowest level since December, 1984, when its share fell to 11.84 per cent.

The Peugeot group achieved a record share in September: 6.56 per cent. The French company had two models in the top 10 best-selling cars whereas only Rover's Metro made the top 10.

The Peugeot group's other brand, Citroen, is also setting sales records in the UK and together they are closing fast on third-placed General Motors-Vauxhall.

Vauxhall was expected to have a difficult year because it was well known that its best-selling model, the Cavalier, was due to be replaced in 1988. However, few observers predicted that the company would fall so far - its 9.28 per cent share last month was the lowest since March 1982, when Vauxhall's penetration was 8.42 per cent.

The Peugeot-Citroen group might overtake Vauxhall next year once the family-sized Peugeot 405, to be assembled at Ryton, Coventry, is launched

Ford, is benefiting from Vauxhall's weakness and its September share of 33.57 per cent was its best since December 1985.

According to the Society of Motor Manufacturers and Traders, last month's car registrations were 177,412 and 20.5 per cent ahead of the record September 1986 total.

New car sales for the first nine months of this year are 1.637m and 6.18 per cent ahead of the same period in 1986 when registrations were a record 1.832m.

UK CAR REGISTRATIONS

	September				Year to date			
	1987	%	1986	%	1987	%	1986	%
Total market	177412	100.00	147203	100.00	1637131	100.00	1541883	100.00
UK produced	81293	45.82	64155	43.58	791912	48.37	669607	43.43
Imports	96199	54.18	83048	56.42	845219	51.63	872276	56.57
Ford	57783	32.57	45026	30.59	471195	28.78	419264	27.19
Rover Group	23087	13.01	21803	14.81	248722	15.19	250158	16.22
Vauxhall/Opel	16459	9.28	16335	11.10	218044	13.32	233554	15.15
Peugeot/Citroen	14693	8.28	7820	5.31	119083	7.27	98555	6.39
Nissan	12696	7.16	11683	7.94	89496	5.47	85689	5.56
Audi/VW/Seat	9300	5.24	8942	6.07	96692	5.91	96015	6.23
Renault	7921	4.46	6087	4.14	66353	4.05	58210	3.78
Volvo	5796	3.27	5079	3.45	56528	3.45	54183	3.51
Fiat/Alfa/Lancia	5185	2.93	4289	2.92	61068	3.73	53804	3.50

Source: Society of Motor Manufacturers and Traders

Mixed response to Royal Life trust

BY ERIC SHORT

ROYAL LIFE Fund Management, the unit trust arm of the insurance composite Royal Insurance Group, yesterday presented the results of its big promotion campaign last month, entitled the Royal Event, to market its three new trusts - a campaign on which it spent £5.9m.

The company's executives at yesterday's press conference were able to point to a number of successes from the campaign that realised their objectives.

● Some 135,000 individuals applied for units, against a campaign target set at 100,000.

● Three fifths of individuals applying direct to Royal Life were new investors to unit trusts. A sample poll of business from intermediaries also showed a high proportion of new investors.

Thus the objective, stated at outset of the campaign, of widening the public's awareness of unit trusts appears to have been fulfilled.

● The adminstrative back-up to the launch performed exceptionally well. Royal Life at the outset aimed at sending out all the contract notes within a fortnight of September 30, when the offer closed. The vast majority of notes have already been despatched and all will have been sent by tomorrow.

Certain other unit trust groups have had adminstrative problems coping with the success of their offers in the current boom conditions for unit trust sales.

● Finally, a survey carried out after the campaign showed a 70 per cent awareness of the name Royal, or 10 per cent more than before the campaign.

However, when it comes to the main objective of the campaign the amount of money invested it was far from being the success targeted at the outset.

The campaign brought in £240m, which is the highest amount ever raised in a single unit trust marketing effort, marginally exceeding the £220m raised by Commercial Union at the end of last year.

Yet the target was £300m, so Royal Life fell some 20 per cent below its objective, in spite of the higher number of individuals buying units.

Royal Life completely misjudged the average amount that would be invested. It had assumed an average investment of £3,000 from each individual. In spite of receiving £500,000 from one source, the average investment was only £1,780.

Nor has the campaign achieved its overall aim of getting individuals to regard unit trusts as the main vehicle for their investments.

However, the amount raised brings the total unit trust funds under management to £550m, and puts Royal Life just within the top 20 managers by the size of its funds.

Royal Life was offering investors three International trusts with varying degrees of investment risk and reward. The majority £137m went for the Growth fund a middle-of-the-road fund. However, a substantial sum of money - £85m - was invested in the Speculative fund, while only £18m was attracted by the Cautionary fund.

Is Royal Life going to repeat the campaign? After all, the amount spent represents 2½ per cent of the sum invested. Allowing for other expenses and the 1 per cent discount, the 5¼ per cent expense margin must have been virtually swallowed up.

Mr Peter Baines, general manager of Royal Life Fund Management, is understandably reticent on that point. The company needs to analyse further the results of this campaign, although it has already learnt one lesson.

It needs to be far more forthcoming on its investment record than it was in its promotional literature.

However, Mr Baines is adamant on one point. The campaign style, on the lines of a privatisation issue, did not mislead the public, as had been claimed by various sources.

Tebbit calls for extension of 'Thatcherism'

A FURTHER extension of "Thatcherism" to exploit the disarray of the opposition parties and capture the political centre ground was urged by Mr Norman Tebbit, the party chairman, when the Conservative Party conference opened at Blackpool yesterday.

To prolonged applause from the rank and file and with Mrs Margaret Thatcher, the Prime Minister, beaming approval, he insisted that this new political objective must be achieved without the Government's policies lurching to the left.

Mr Tebbit, in what was generally regarded as his last important conference speech as party chairman, told his former Cabinet colleagues that there must be no repeat of the mistakes made in 1959, when a third consecutive Conservative election victory was marred by the Macmillan government losing its way in mid-term.

He stressed that many parties had tried to claim the middle ground by moving towards their opponents and all had failed.

Mr Tebbit said: "Our task is to establish the new political consensus within which our opponents too must work by drawing the middle ground towards us."

He claimed that this was the purpose of the Government's drive to spread privilege more widely, to offer, not least through education reform and the enterprise culture, opportunity for every citizen to grow to full stature.

Amid further cheers, Mr Tebbit warned that to dilute the commitment to battle against excessive public expenditure, taxation and inflation which had brought the success of Thatcherism would be to throw that success away and return to the dismal years which Britain experienced until the Conservative election victory in 1979.

Mr Tebbit took credit for the success of the Conservative campaign in last June's general election in humorous rather than boasting terms.

He recalled that without the benefit of any Falklands factor, and without the Michael Foot factor to help, the party had not only achieved a majority of more than 100 but also maintained its share of the vote to within a fraction of 1 per cent of that achieved in 1983.

He gently reminded the Prime Minister that there had been speculation about disagreement between the so-called consolidators and the so-called radicals. He rejoiced in the fact that she had shared his view that such a division was meaningless and that the aim should be to consolidate the progress made in her first two administrations and carry through a radical programme in her third.

Mr Tebbit denied that the appearance of disarray which affected the Government earlier last year was in any way connected with the fact that he was out of action and in hospital at the time.

He traced the turning of the tide in the Government's fortunes to the fourth budget introduced by Mr Nigel Lawson, the Chancellor of the Exchequer.

Mr Tebbit mocked and ridiculed Labour and the Liberals and Social Democrats in turn.

He said the Liberal/SDP Alliance - 'the mould shatterers, the nice people who could work together' - were hopelessly divided, squabbling and abusing each other in monstrous political mob scenes like some vast collective Punch and Judy show.

Mr Tebbit dismissed Labour as being 'split irredeemably between those who put socialism first and those who want to put winning elections first.'

He said the office-seeking wing of the Labour Party was anxious to let it be known that it accepted what had been achieved by Mrs Thatcher's governments and wanted to live with it in the 'post-Thatcher era.'

To laughter and further cheers, he said: 'They would be wise to brace themselves for a lot more of the Thatcher era before we come to post-Thatcherism.'

Mr Tebbit delighted in the prospect of Labour having to revise even its new policy stance - when it had been decided after an interval of two years - to keep up with the Conservatives. It would have to adjust to the community charge (poll tax) and the choice in education and on the council estates.

He told Mrs Thatcher: 'The prospect of Mr Kinnock trying to put on your clothes, Prime Minister, is hilarious. The thought of him struggling to get into your 1983 outfit only to see you wearing an even more radical and appealing style is too delightful to contemplate.'

Mr Tebbit identified Labour's problem as being that the "identikit traditional Labour voter" lived in a council house, worked in the public sector and belonged to a manual trade union.

Numbers in each of these categories were in long-term decline.

Mr Tebbit described the identikit Tory voter as a home-owner, a private sector worker and those more likely to own shares than to belong to a manual trade union.

Numbers in each of these categories were in long-term growth.

Mr Tebbit claimed that, while Labour was occupied for the next two years in carrying out its policy review, it would have no alternative agreed policy to put forward.

This meant that the Conservative Party would have the burden, perhaps for the next decade until a credible alternative was created, of being a government that must not fail and must not lose the confidence of the elector because there is no other party fit to govern.

Norman Tebbit and Margaret Thatcher: together at the conference

Reports: PETER RIDDELL, IVOR OWEN, LISA WOOD and JOHN GAPPER Pictures: ALAN HARPER

Bunch of swells starts to celebrate

THE STERN Thatcherite slogan emblazoned above the Conservative Party Conference platform at Blackpool reads "Action for the Third Term". But, judging by yesterday's opening proceedings, a more appropriate theme would be the title of this year's conference revue, 'What a Swell Party This Is". In spite of official warnings against complacency, most of the platform speakers and the rank and file indulged in comfortable self-congratulation following the party's overwhelming election victory.

The well-known Tory cult of leader worship seemed to have reached almost oriental proportions.

"We all not only support you but we love you," enthused one representative.

The conference motions glided through in a spirit of unanimity with only the occasional apologetic note of mild dissent.

John Cope, Minister of State for Employment, was delighted to accept the non-controversial motion on small businesses. It was the Tory Party which had achieved this success. "Above all, Mrs Thatcher's leadership achieved it," he declared.

He extolled the new heroes of free market economics in the same way that the Soviet press used to praise the efforts of the heroes of labour in the latest five-year plan. There was a Mr and Mrs Morrey of Croydon who were cleaning venetian blinds by ultrasonic sound and a Mr Adcock of Leeds who had invented a safe blade for rotary mowers which he demonstrated by plunging his foot into it.

But what of Nicholas Ridley, Environment Secretary, who was said to be facing a Tory revolt over his controversial plan for replacing local authority rates by a poll tax?

Alas, it quickly became clear that the party managers had been at work to head off any incipient trouble. No hostile amendment appeared on the agenda and only two speakers opposing the motion were called to the rostrum. The others fell over one another in their eagerness to praise the Government for its boldness in bringing in this sweeping reform and urged ministers to complete the changes even more speedily.

The horrors of free spending left wing local authorities were dangled before the gaze of the terrified party workers. Nuclear-free zones, lesbian festivals, anti-police activists, Broadwater Farm rioters - is that what they wanted? It was certainly what they would get if they voted against the poll tax.

In this chummy atmosphere, Mr Ridley had no difficulty in describing it as an extremely good debate and accepting with alacrity the motion welcoming the introduction of the community charge (the euphemistic title for the poll tax).

He sat down to loud applause and a partial standing ovation as the motion was carried with hardly any opposition. Once again what was heralded as a trip to the execution block for the aristocratic Mr Ridley had turned into a triumphant procession.

Even the baleful Norman Tebbit, Party chairman, removed his fangs for his appearance yesterday and seemed in a comparatively mellow mood as he reminisced about the triumph of "Thatcherism". It has been rumoured that he will be relinquishing his post and he certainly seemed to end his remarks on a valedictory note.

In what might be his last hoorah, he said: "Although I will no longer be in the team that will fulfil these hopes, I will be there to cheer you on."

In a desperate search for at least one note of dissent, it was necessary to spend the lunch break in Blackpool public library, where former minister Michael Heseltine was delivering the Harold Macmillan Lecture. When a politician gives a lecture instead of your run-of-the-mill speech it is a sure sign that something of unusual gravitas is intended. Sure enough, yesterday's event had been heralded by some pundits as the official launch of Heseltine's long-term campaign for the Conservative leadership.

The transcript of the lecture was contained in a glossy cover showing a photograph of the man they used to call Tarzan. For greater respectability he had been shorn of his long locks. It certainly had all the trappings of the slick brochures that are put out at election time.

All the code words associated with Conservative dissidents who want to distance themselves from the leader were there. References to Disraeli led up to an account of the glorious reign of Harold Macmillan which seemed to be viewed through a golden haze.

There were frequent references to the old patrician's concern to protect the unfortunate members of society from the 'rougher winds of life' and his dislike for arcane doctrines of economic efficiency. We were clearly meant to contrast this with the rough ways of our own dear Prime Minister at the present time. All of this was delivered in the well known Heseltine declamatory style that used to bring rapturous, foot-stamping enthusiasm at Tory Party conferences when he was still in the government. But on this occasion he only drew polite applause.

JOHN HUNT

Nicholas Ridley: better off would pay more

'Fair' poll tax given support

PLEAS THAT the introduction of the poll tax in England as a replacement for domestic rates should be completed in "one go" rather than phased over a period were ignored by Mr Nicholas Ridley, the Environment Secretary.

His insistence that the improved accountability ensured by the new levy - officially termed the community charge - would force high spending Labour-controlled councils to mend their ways or risk electoral defeat overshadowed the reservations voiced by some rank and file speakers in the debate.

Mr Ridley's claim that, in addition to restoring accountability, the poll tax was "simple and fair" was endorsed by a massive majority with little more than a dozen hands raised in opposition.

He maintained that domestic rates were seen as unfair and arbitrary by the overwhelming majority of those who paid them.

Mr Ridley emphasised that, whereas only one adult in three in the Labour-controlled London borough of Lambeth paid rates, and fewer than one in four paid anything at all in Manchester, the community charge would be based on the concept that everyone should pay the same amount for the same standard of services.

He said the better off would pay much more for local services but everyone would pay something.

The highest paid 10 per cent of households would pay nearly 16 times as much towards the cost of local services as the lowest paid 10 per cent.

Mr Ridley explained that the community charge would cover only a quarter of local authority spending - three-quarters would come from the central taxpayer and the business rate.

Giving an assurance that there would be no hardship for the less well off, he said that at the lower end of the scale there would be rebates for up to 80 per cent and help through the income support system.

Mr Ridley refused to accept that there was any role for local authorities in seeking to achieve greater equity in the finance of local government.

He said: "It must be for the Chancellor of the Exchequer - and he alone - to decide the levels of redistributive taxation. Not, thank goodness, for the councillors of Brent, Lambeth or Liverpool."

Mr Ridley contended that only the community charge could enable local electors to exert local control.

He urged the conference not to be alarmed by examples citing the likely level of community charge in areas where high levels of spending had forced up the rates.

"Councils can and do cut their spending," he said.

In one of the few critical speeches, Councillor Christina Rooke from Broxbourne warned that a "sizable minority" would be considerably worse off as a result of the poll tax.

She also underlined how reductions in rate support grant provided by central government had the effect of requiring local residents to pay much more in rates through no fault of their council and without any improvement in local services.

The pleas for the poll tax to be introduced in a single operation were strongly supported by Mr Gerald Malone, who lost his seat in the Commons as MP for Aberdeen South in the June general election.

He said speedy action was required to maximise the political benefit which the Conservative Party would gain from abolishing domestic rates.

Mr Malone warned that without the introduction of the community charge the retention of domestic rates would necessitate a property revaluation which, in some instances, could lead to a 3,000 per cent increase in rateable values.

Mr Chris Buckwell from the Medway area argued that the administrative difficulties involved in introducing the poll tax would be intensified by any phasing.

Insisting that it was not a time for faint hearts, he urged Mr Ridley to introduce "this excellent scheme as soon as possible - and in one stage".

N-weapons to remain basis of security

NUCLEAR WEAPONS will remain the foundation for European security for the "foreseeable future", Mr George Younger, the Defence Secretary, told the conference.

While welcoming the fact that the United States and the Soviet Union stood on the threshold of an historic agreement on reductions in intermediate range nuclear missiles, he rejected claims by Labour politicians and the Campaign for Nuclear Disarmament that it was the first step on the road to "a utopian nuclear-free Europe".

Mr Younger reinforced the Government's commitment to maintaining an effective British nuclear deterrent, by announcing that an order had been placed with Vickers of Barrow for HMS Victorious, the second of the Royal Navy's Trident submarines.

He emphasised that, even if it were possible - by an act of political will - to rid the world of all nuclear weapons, it would never be possible to abolish the knowledge of how to make them.

Mr Younger said: "Who can say - in those circumstances - that in times of tension the race would not be on to put that knowledge to use?"

A world in which nuclear weapons could be dispensed with would have to be very different to that existing at the present time and one in which the conventional threat had also been erradicated.

Mr Younger said: 'Nato must therefore maintain the protection of nuclear weapons until we are confident that we have a better way to keep the peace.'

He contended that the ordering of HMS Victorious, coupled with the issuing of tenders for up to a further four Type 23 Duke class frigates, destroyed the case of critics who asserted that Britain could only maintain an effective nuclear deterrent at the cost of weakening the Royal Navy's surface fleet.

Taken together, the new wweapons to be ordered would account for expenditure of more than £1bn over the next few years and represented just one part of the massive investment in the navy.

This offered the clearest demonstration of the Government's commitment to balanced forces in which neither the modernisation of the nuclear deterrent nor conventional forces could be neglected, he said.

George Younger: reinforced commitment to nuclear deterrent

John Cope

Calls for more aid for small businesses

REPEATED calls for the raising of the VAT threshold for small businesses were made in the debate on small businesses.

The motion, which was approved, urged the Government to bring forward additional measures to encourage the birth and growth of new companies and to reduce the burden of bureaucracy.

Mr John Cope MP, Minister of State for Employment and Minister for Small Firms, hinted that new measures may be on the horizon. Any changes in VAT would have to involve the EC.

Mr Ron Thrower (Halifax) said businesses were harassed by bureaucracy, including the £20,000 VAT threshold.

He said: "I urge the raising of that figure to £50,000 or even up to £80,000. This would ease the workflow and give the individual a cashflow boost."

It was a theme taken up by Mr Fred Tuckman (Leicester), who also urged VAT exemption for businesses employing fewer than five people. He spoke against minimum pay rates for small businesses, a measure which he said destroyed jobs.

Mr Michael Barratt (Ogmore) asked for the re-introduction of 100 per cent capital allowances on investments of up to £5,000 for the first year of a new business.

Mr John Grylls MP (North West Surrey), chairman of the Small Business Bureau, spoke of his new unit's work.

He said that if the right conditions were created in the big cities enterprise would return. "Rating reform will be a great help," he said.

Conference had been told by Mr Eric Wilson (North West Hampshire), who introduced the motion, that there were nearly 1.5m small businesses in the UK with 500 new ones established every week. He urged that interest rates and inflation be further reduced.

Only one speaker, Mr Robin White (Bishop Auckland), spoke against the motion. He said: "You have no right to call for further measures when so much has been done already." He said other areas, such as schools and the social services, needed help.

Mr Cope, in his speech to conference, said: "I have noted the particular suggestions made in this debate and in the recent Conservative Political Centre contact programme discussions and I will make sure the Chancellor of the Exchequer reflects on them too."

Many schools 'may opt out'

MANY SCHOOLS may decide to transfer from local authority control to grant maintained status, Mr Kenneth Baker, the Education Secretary, suggested yesterday at a conference fringe meeting.

Answering questions at a packed meeting organised by the party's national advisory committee on education, Mr Baker surprised some observers by saying that he thought many schools would take up the opportunity of opting out to become grant maintained bodies. Previously, he has implied that only a relatively small number of schools might chose to transfer from local authority controls.

His comment was made in response to a number of questions from councillors in Conservative-controlled or dominated shire counties who wondered about the relevance of the opting out proposal. He stressed that this was an option for parents and schools and that the response would depend on local circumstances.

Questions were also raised about other aspects of the Government's proposals for reorganising the schools system, with a councillor from Kent wondering how many parents would want to be involved as governors. The ciuncillor pointed to the "abysmal attendance" at meetings of parents and of governing bodies.

Mr Baker said that, under the new system of increased parental representation on governing bodies, Conservative-minded parents should be encouraged to come forward.

He also said there would have to be training for governors, given the proposals for greater responsibility and delegated financial powers for governing bodies. Similarly, head teachers would have to be trained to take on greater delegated responsibility for their budgets.

In the questions there was a sharp contrast between the general satisfaction with the present system expressed by councillors and teachers coming from the shire counties and the pressure for reform from those in largely Labour-controlled large towns and cities.

Heseltine in plea for spending

THE PRIVATE sector alone cannot revitalise Britain's less prosperous areas, Mr Michael Heseltine,the former Defence Minister, said in a strong advocation of greater public spending.

Mr Heseltine was delivering the Third Macmillan Lecture to a packed meeting organised by the National Young Conservatives.

He said he welcomed the commitment by the Government to do something about the inner cities. However, he said: "I beg of the Government to understand what the fulfilment of this commitment will mean. The private sector should not be expected to invest where costs were too high or the returns too low. So public money should clear the dereliction and rebuild the physical environment."

He added: "Nothing short of mobilising a national endevour embracing both public and private sectors will suffice if we are to restore hope in less prosperous areas. The private sector alone cannot do it."

Mr Heseltine said a new hope and achievement could only be set on its way with the stimulus of public money "so profound are the social and economic forces in decline".

He suggested ministers should personally be associated with the rebuilding of individual parts of Britain. An English Development Agency could coordinate the thrust of government policy, drawing on the management skills of the private sector and spearheading a variety of programmes tailor-made to the needs of individual towns and cities.

He also suggested that the Treasury should allow more of the cash raised by council house sales to be re-invested in the stress areas and thus demonstrate the wider benefits of the privatisation programme.

In his call for more public spending, Mr Heseltine said: "We must attack this problem not in any narrow sense that votes will follow as though dividends to a speculator.

Health service reform urged

MODERATES WITHIN the Conservative Party should work to ensure that reform of the health service and education benefits the worse off and those living in inner cities, Mr Kenneth Clarke, Trade and Industry Minister, argued.

Mr Clarke, addressing a fringe meeting organised by the Tory Reform Group, said that the left wing of the party was now united with the right behind polices such as privatisation and promotion of a free market economy.

But he added that members of the Tory Reform Group - the major left wing pressure group within the party - had to ensure that increased efficiency in the major public services was aimed at inner-city schools and "the unfashionable parts of the health service".

Mr Clarke said that they should support moves to bring competition, cost effectiveness and improved management to public services in the way that they had been brought to nationalised industries through privatisation.

He said: "If you do not get the same qualities as privatisation has achieved in the state industries in these areas, you will cause them great damage. Indeed, they will wither and die as more and more customers opt for the pivate sector alternatives."

He said that the old debate between "wets" and "dries" within the party was now over and disputes on issues such as monetary policy were no longer necessary.

"M3 (the money supply measure) is like a ball in a cricket game that has gone into a field and been lost." he said.

Greater involvement in inner cities

THE GOVERNMENT intends to get directly involved in partnership with the private sector to assist in inner-city regeneration, Mr Kenneth Clarke, Chancellor of the Dutchy of Lancaster and Minister for Trade, told conference yesterday.

Mr Clarke was replying to a debate on inner cities and urban renewal in which the motion, which was supported, stated that vigorous private enterprise was an essential part of the solution.

Mr Clarke outlined the different strands of urban renewal which were being pursued by government departments. However, he said there had been a change in the Government's understanding of problems in its third term. "We no longer think primarily of giving grants to public bodies to act as our agents. We intend to get directly involved in partnership with the private sector to get the innercities moving," he said.

The Government could now offer businesses an extensive menu of possible ways in which they could help. The company must choose from that menu exactly how and where they wanted to take part and the relevant government department would work with them.

Mr Clarke gave two examples of such initiatives. Working through British Industrial Estates it planned a new programme to meet the growing demand for managed workshops. Private companies would help fund the costs of conversion and provide management expertise to run the workshops In addition 3i,the venture capital organisation, had announced it would invest up to £10m in an inner city venture capital fund concentrated on the 16 task force areas.

Move on youngsters who refuse training

YOUNG PEOPLE who refuse places on government training schemes will no longer be eligible for social security benefit under proposed legislation, Mr Norman Fowler, Secretary of State for Employment, announced yesterday.

Mr Fowler said in a speech to the conference that the Government intended to introduce legislation to stop a "small minority" of school leavers "pursuing a career in filling in benefit claim forms".

He also announced that the Government would recruit more staff to limit the extent of social security fraud, adding: "Bluntly, there are too many people working in the black economy and drawing benefit."

In a speech singling out some "extraordinary abuses" by trade unions, he said the proposed Trade Union Act would be introduced in Parliament by the end of the month with the aim of giving union members new rights.

Mr Fowler, who won a prolonged standing ovation from delegates at the end of his speech, said that the Government faced considerable challenges in further reducing unemployment and increasing the provision of training.

The country had rejected the solutions of the Left, he said: "The bell tolls for the Bickerstaffes and the Benns. Their day is gone. But that means the responsibility on us in this party is all the greater."

Mr Fowler said the Government had a plan of action for jobs and training through life, which started with a guarantee to each school-leaver under 18 of a job or a place on the Youth Training Scheme.

He said that YTS had been "a remarkable success" and that young people needed not more social security, but rather more national apprenticeships as a practical preparation for work.

Mr Fowler also promised a "new drive to bring the long-term unemployed back to work" through schemes such as the Job Training Scheme, Job Clubs and Restart interviews.

However, he said all the Government's efforts would be defeated if industry became a battleground through prolonged industrial disputes. The new Trade Union Act would add to improvements already created by previous legislation.

He said: "Our fundamental concern is for individual trades union memebrs. Our aim is to give them back full control over their working lives."

In a generally subdued debate on a motion urging the Government to continue to improve training and modernise industrial relations, the liveliest contribution came from a delegate who is a window cleaner in Bournemouth.

Mr Greg Archdale (Bournemouth East) urged the Government to make sure that "loafers" who preferred to watch daytime television than go out and find a job did not retain their right to social security benefit.

A blind delegate, Mr Jonathan Day (Waveney), asked Mr Fowler to consider amendments to the 1986 Social Security Act and the Disabled Persons Act 1986 allowing "therapeutic employment" schemes for the disabled and handicapped to be financed from public funds.

Report predicts modest carpet industry growth

BY ALICE RAWSTHORN

THE CARPET industry, which has suffered from flat sales during the consumer expenditure boom of the 1980s, can expect modest growth in the future, according to a report from the Economist Intelligence Unit.

Consumer expenditure on floor coverings rose by 8.7 per cent in real terms between 1980 and 1986, according to the report. During the same period, expenditure on all household goods increased by 12.8 per cent and by 40 per cent for some of the large domestic appliances.

The carpet sector reached its low point in the early 1980s but has since recovered. Last year 190m sq m of carpets were sold, an increase of 20 per cent on 1982. The trade market was worth £900m and the retail market £1.4bn. The report estimates that 25 per cent of carpets are sold to contract - or commercial - rather than domestic customers.

Tufted carpets still dominate the sector, with 87 per cent of sales last year. Axminster carpets have continued to lose market share - falling from 9 per cent to 7 per cent in the past six years - while Wilton carpets claim 3 per cent of sales.

The resilient floor coverings market has been more sluggish, stabilising at sales of 32m sq m since 1982. Last year the market was worth £103m at trade prices.

For the future, resilient floor covering sales should continue to be static in the face of strong competition from other types of flooring such as quarry tiles and cork. However, the contract market may be more buoyant.

The outlook for carpet sales is better. The report expects modest growth fuelled by the higher level of house building, new products and stronger marketing. It forecasts that some new developments might improve durability, reducing replacement sales in the medium term.

In recent years the British carpet industry has undergone substantial restructuring. Among manufacturers, Coats Viyella has strengthened its dominant position through acquisition; while both the John Crowther Group and Coloroll have built up significant carpet interests. In the retail sector, the industry is still waiting to see which group gains control of Allied Carpets from Asda-MFI.

Retail Business. Economist Intelligence Unit, 40 Duke Street, London W1A 1DW. £36.

Construction orders rise by a fifth over 12 months

BY ANDREW TAYLOR

THE OUTLOOK for British construction output continues to look bright, with order books of quantity surveyors rising by 20 per cent in 12 months, according to figures published yesterday.

Workloads of quantity surveyors, like those of architects, provide an early indication of orders for the construction industry.

The survey compiled by the Royal Institution of Chartered Surveyors, showed that quantity surveyors' orders books in the three months to the end of June were 5 per cent higher than in the previous three months. Over 12 months, order books had risen by 20 per cent, said the institution.

The biggest gains were in the private commercial sector, where the boom in office building in London and south-east England had increased orders by 27 per cent in the last year.

It was particularly concerned that there might be a flood of orders from developers if moves by the European Community to impose VAT on building works in Britain succeeded.

That case has gone to the European Court.

Private hospital must pay NHS rates

Financial Times Reporter

NURSES' PAY at an American-owned private hospital planned for Scotland must be pegged to National Health Service levels, Mr Malcolm Rifkind, the Scottish Secretary, said yesterday.

Mr Rifkind was announcing a conditional go-ahead for the project. Health Care International plans to open the £112m hospital at Clydebank, near Glasgow, with 260 beds intended for foreign patients in need of acute surgery. It is expected to employ 1,800 people with a further 2,200 "spin-off" jobs.

The Government says the hospital will enhance Scotland's reputation as a centre of medical excellence. Critics say it will draw staff from NHS hospitals and impose an unacceptable burden on the blood transfusion service in Scotland.

Mr Norman Hogg, Labour's health spokesman, said: "This is the wrong decision taken for the wrong reasons timed to coincide with the opening of the Tory conference. The health service and health care in Glasgow and west central Scotland is damaged by this decision. Neither the World Health Organisation nor eminent medical opinion supports this project."

Mr Rifkind said in Edinburgh the new hospital's demand should not significantly affect the health service in Scotland, provided it offered the same pay and conditions to staff.

Another condition would be that the hospital must not exceed the amount of blood it estimates it will need from the blood transfusion service — 2.6 per cent of the Scottish total — without consulting the service and the Government.

Mr Rifkind said: "I believe this is a project of enormous importance to the future of the health service in Scotland." It would provide high-quality employment and act as a "brain gain" or "brain retain" project.

Mr John Kackay, Scottish Conservative Party chief executive, said: "Here we have a project that will bring some 4,000 jobs to an area that desperately needs them. Yet we have seen an absurd, orchestrated, dogma-led opposition to the project from Labour, the unions and the left in general."

Clive Wolman analyses Hill Samuel's decision to sell off Wood Mackenzie

Second thoughts on a Big Bang buy

John Chiene: "We were planting seeds"

THE DECISION last Friday by Hill Samuel, the merchant bank, and the TSB banking group, its proposed new owner, to sell off Wood Mackenzie, its securities arm, marks the first public admission of the collapse of a rationale behind the pre-Big Bang rush by more than 20 banks into UK stockbroking and market-making.

The decision of Hill Samuel to acquire Wood Mackenzie, fixed at a price of £20m in June 1984, came at the height of one of the City's most remarkable bouts of "me-too" corporate strategic thinking.

In the first few months after July 1983, when Sir Nicholas Goodison, the Stock Exchange chairman, agreed to dismantle the old Stock Exchange cartel, most bankers and stockbrokers emphasised the potential conflicts of interest and other dangers of link-ups.

But the conventional wisdom changed quickly. By early 1984, almost all the main stockbroking and jobbing firms and many of the banks began endorsing the attractions of an integrated operation covering the corporate finance advisory skills, capital-raising experience and capital backing of a bank, the corporate research expertise and securities distribution power of a stockbroker and the trading skills of a market-maker.

Hill Samuel decided to follow what it called "the integrated investment bank solution" by combining the securities activities of the bank and of Wood Mackenzie into a single division, with the aim of breaking down the cultural differences between securities dealers and bankers.

A few of the new firms to have emerged as a result of that strategy, such as S.G. Warburg, have already proved a success. For most, the benefits of integration have as yet been less than anticipated.

For Hill Samuel, as its chairman Sir Robert Clark disarmingly admitted on Friday, the strategy was a mistake. Few links have developed between Hill Samuel's corporate finance department and Wood Mackenzie, he said.

From now on, the bank would develop its corporate finance department on the model of Lazard Brothers, as a specialist adviser particularly to its traditional clientele of smaller listed companies and without a securities distribution arm.

The failure of Hill Samuel's integration strategy was not the result of the classic post-Big Bang cultural confrontations and slanging matches across trading floors, but rather because the management were too preoccupied and too cautious to push ahead.

Mr John Chiene, the former senior partner of Wood Mackenzie who became the joint chief executive of Hill Samuel's merchant banking division, takes a more positive view. "We were taking our time about integration and perhaps we should have been rougher and tougher," he said. "But we were planting seeds."

He adds that, independently of Hill Samuel, Wood Mackenzie had built up a successful corporate finance department of its own over the last five years and had acted as corporate broker in several privatisation issues.

Among Wood Mackenzie's own staff, particularly those in Edinburgh, morale sagged over the spring and summer as the realisation grew that Hill Samuel was the wrong partner and that the firm should have waited for an approach from a larger bank.

There was, however, widespread relief in August when the Union Bank of Switzerland called off the proposed merger between Phillips and Drew, the City securities firm that it owns, and Wood Mackenzie. The merger, it was feared, would have meant a downgrading of the WM Edinburgh operations and a probable loss of jobs.

But Mr Chiene claims that the firm cannot afford to take the risks of independence or of abandoning market-making. He admits that Hill Samuel was too small and too vulnerable an institution to carry the risks and absorb the possible trading losses from allowing Wood Mackenzie to become a leading market-maker across a wide range of sectors.

"Even our present operation, which is tightly controlled, can make a loss of up to £500,000 on a single day," he says.

As a result, although it has avoided large losses by its sophisticated system of on-line monitoring of positions, Wood Mackenzie has made little impact in equity market-making, except in a few specialist sectors.

Mr Chiene is seeking a purchaser with wider experience of making markets and an ability to absorb losses. His other requirement is that the firm should provide Wood Mackenzie with a global network of clients to give it more opportunities for both broadening its corporate research internationally and disseminating it more widely.

So far, Wood Mackenzie has been much slower than other leading stockbrokers in building up an overseas presence, although it now has small offices in New York and Tokyo. Its lack of coverage of overseas markets has caused it to slip in the rankings of investment analysts from a leading position in the late 1970s to fourth or fifth now. Mr Chiene says the constraint was always a lack of capital. The managerial difficulties of setting up a large London office with about 250 staff over the last 14 years also slowed down expansion overseas.

Already Hill Samuel has received several approaches from possible purchasers including some of those who approached Wood Mackenzie last time. Some have even expressed interest in the gilt-edged trading operation, which is threatened with closure after failing to cover its overheads in its first year of operations.

However, other banks that expressed an interest in Wood Mackenzie when the Phillips and Drew merger fell through in August have withdrawn after taking a closer look at the firm's management.

They criticise its lack of success in market-making, gilts and overseas dealing, claiming also that the firm has failed to adjust to the shorter-term concerns of fund managers by not developing a more entrepreneurial sales force to advise them on temporary pricing anomalies and market timing.

The contrary view is also heard, especially among investment managers in Wood Mackenzie's Scottish hinterland. They say it is just the firm's lack of emphasis on market timing and fast-talking salesmanship that they value most highly.

Most, however, agree that the firm remains too dependent on Mr Chiene, even though over the last year he has been devoting more of his time to Hill Samuel affairs. Mr Chiene, a loquacious, forceful personality, has had an intensely loyal following within Wood Mackenzie since he transformed it from a small private client Edinburgh firm in the early 1960s to one of the top UK institutional broking firms and developed its lucrative performance measurement and other computer services for investors.

The head of one leading merchant bank which has dropped out of the bidding said on Friday that he felt that Mr Chiene had failed to cultivate any management strength in depth. "The operation is like a beech tree," he said. "Nothing is allowed to grow underneath."

But undoubtedly the beech tree alone is valuable enough to make Wood Mackenzie an attractive proposition.

Case IH overtakes Massey

BY NICK GARNETT

DOMESTIC AGRICULTURAL tractor sales for the past nine months show how Case IH has pushed Massey-Ferguson into third place in the market. Ford, UK leader for at least 10 years, took 23.8 per cent of the market in the nine months to September, compared with 21.6 per cent by Case and 16.9 per cent by Massey.

The ranking of Massey, traditionally number two, appears to be under pressure also from John Deere, according to Agricultural Engineers Association statistics.

Deere took 13.3 per cent of the UK market last year against Massey's 20.1 per cent. However, in the nine months Deere's share was 15.1 per cent, less than 2 percentage points behind Massey. Massey improved its market share slightly in the third quarter but its sales in the period were marginally exceeded by those of Deere.

Total registrations in the first nine months were 15,034. That is 1.3 per cent lower than for the corresponding period last year but sales have been improving dramatically. In the first four months they were 25 per cent lower than in the corresponding period last year.

Mr Chris Evans, the association's economist, says the trend shows sales will exceed last year's total of 18,831 registrations. This would be the first expansion of the market for four years.

The farm-machinery industry believes Massey's has lost market share because:

- Many dealers are unsettled by recent senior management changes at Massey in the UK.
- The company, at a time of depressed prices, has introduced the 3000 range of tractors, which have sophisticated electronics but are expensive. It says time will be needed for them to establish themselves.
- The past 18 months have seen fierce price-discounting but, on some tractor ranges, Massey says it has not been prepared to discount so heavily, probably costing it sales.

Ernst & Whinney move into pension consultancy

BY RICHARD WATERS

ERNST & WHINNEY will launch a series of seminars on pensions this week, marking the latest push by accountants for a share of the pensions consultancy market.

The market for advising on pensions arrangements is worth about £200m a year. Accountants estimate their combined share of this market to be 2 per cent-3 per cent, but expect it to rise.

Ernst, which has 20 people advising on pensions, moved into the field this year when it acquired Shepherd Associates, an insurance broking and pension consultancy.

Other accountancy firms have a stronger presence. Coopers & Lybrand, Britain's second largest accountancy firm, has had a pensions division since 1973.

The large accountancy firms are focusing on advising companies, rather than employees, on the implications of the pensions regulations set to come in next year.

The arrival of accountants in the pensions market pits them against established actuarial firms and employee benefits consultants, as well as insurance brokers which have diversified heavily into consultancy.

APPOINTMENTS

Responsibilities change at Rolls-Royce

At ROLLS-ROYCE **Mr Trevor Salt**, director - supply, has retired. He has been elected chairman of Rolls-Royce Industries Canada Inc., where he has taken over from **Mr Bill Mandry**, who will continue to serve on that company's board until the end of the year.

Mr Salt is succeeded as director - supply by **Mr Jim Keir**, who was director - civil engines. **Mr Frank Turner**, director of industrial and marine, succeeds Mr Keir. **Mr John Ferrie** is appointed director - industrial, marine and repair business, in addition to his responsibilities for repair and overhaul.

Mr Dennis Jackson will relinquish his appointment as director of international affairs on January 31, and will become special adviser to the managing director on Chinese and Japanese affairs.

New responsibilities are being allocated to strengthen the support to the managing director in the formulation and execution of strategic objectives and policy. Heading this area is **Mr Peter Macfarlane**, who is appointed director of corporate development. Supporting him is **Mr John Rose**, who becomes director of corporate marketing services, and **Mr David Marshall**, who will take up his new post as director of strategic planning on February 1. Joining the team is **Dr David Mitchell**, who remains director of commercial services.

*

Mr L. A. Carpenter, who reached retirement age earlier this year, will be resigning as chairman of REED INTERNATIONAL and will be relinquishing his executive posts in the group at the end of the year. He will remain on the board as a non-executive director and will be succeeded as chairman by **Sir Stanley Grinstead**, who has been a non-executive director since 1981 and recently retired as chairman of Grand Metropolitan.

*

Mr David J. Cornwell has been appointed managing director of MOLECULAR COMPUTER, Slough. He was sales and marketing director.

*

Mr Michael Gwinnell has been appointed director of business development for GERARD ATKINS & CO. He was an assistant director of J.Henry Schroder Wagg & Co, where he was head of finance and administration for Schroder Ventures. Gerard Atkins is a subsidiary of General Atlantic Group, Bermuda.

*

Mr Ron Irons has been appointed group managing director of BRITISH ROAD SERVICES GROUP, replacing **Mr Geoffrey Pygall** who is retiring. He joins from NFC distribution group where he was group managing director, and remains a member of the National Freight Consortium executive board.

*

Mr James Jowett has been appointed finance director of CSG HOLDINGS. He was finance director of APT Controls.

*

Mr H.O. Collingwood has been appointed director of the claims division of E.W.PAYNE (INTERNATIONAL). He was director of Carter Wilkes & Fane.

*

Following the acquisition of Alfred Stewart by Frenger Holdings, **Mr Chris Thompson**, Stewart's managing director, is joining the board of Frenger Troughton.

*

Mr Bobby Llewellyn has joined the main board of JARDINE INSURANCE BROKERS INTERNATIONAL. He becomes chairman of the company's aviation division. He joins from Bain Clarkson. **Mr John Westoby** and **Mr Jeremy Birtwistle** join Jardines from Bain Clarkson as directors, and **Mr Nick Woolley** and **Mr Constantine Pilavachi** as associate directors, all of the aviation division.

*

GRAND METROPOLITAN has appointed **Mr Patrick J.Copeland** as president and chief operating officer of Inter-Continental Hotels Corporation, New York. He was chief executive officer of Cinzano International, Geneva, where he is succeeded by **Mr Anthony Grant Froggatt** from January 1. Mr Froggatt was managing director of Swift & Moore Pty., Australia.

*

Mr Chris Waites has been appointed managing partner of BACON & WOODROW, consulting actuaries. He was commercial director of PPF International, a member of the Unilever group.

• FT LAW REPORTS

Nominee fails to lift share restrictions

RE GEERS GROSS PLC
Court of Appeal (Lord Justice Nourse, Lord Justice Glidewell and Mr Justice Michael Davies): July 24 1987

RESTRICTIONS on shares imposed by court order as a result of the nominee shareholder's refusal to disclose the true beneficiaries, will not be lifted on the ground only that the shares are to be sold on the open market.

The Court of Appeal so held when dismissing an appeal by SM Nominees Ltd (SMN) and Guyerzeller Bank AG (the bank) from Mr Justice Vinelott's decision [1987] *FTLR 463*, refusing to lift restrictions imposed by court order on shares in Geers Gross plc.

Section 212 of the Companies Act 1985 provides: "A public company, may...require a person whom [it]...has reasonable cause to believe...during the three years immediately preceding...to have been interested in shares...(a) to confirm that fact...and (b) to give further information..."

Section 216: "(1) Where...that person fails to give...information required...the company may apply to the court for an order directing that the shares...be subject to the restrictions of Part XV..."

Section 456: "(3)...an order...directing that the shares shall cease to be subject to the restrictions may be made only if (a) the court is satisfied that the relevant facts...have been disclosed...or (b) the shares are to be sold and the court...approves the sale".

LORD JUSTICE NOURSE said that SMN held 450,000 ordinary shares in Geers Gross as nominee for the bank.

The bank said the shares were purchased in the ordinary course of its business of portfolio management on the instructions of clients. It declined to disclose the names of its clients, stating that Swiss banking law did not permit it to do so.

Forty thousand of the shares were already the subject of two uncompleted sales. The remaining 410,000 were the subject of a proposal that they should be sold at arm's length on the London stock exchange.

Section 456(3) of the Companies Act 1985 provided that a court order directing that shares should cease to be subject to restrictions might be made if (a) the court was satisfied that the relevant facts about the shares had been disclosed to the company, and that "(b) the shares are to be sold and the court...approves the sale."

The relevant facts about the shares had not been disclosed to the company. Paragraph (a) therefore remained unsatisfied. Everything depended on whether (b) was satisfied.

Mr Potts for SMN and the bank submitted that (b) should be treated as an independent ground for relief, and that there was jurisdiction to lift the restrictions though (a) remained unsatisfied. He submitted that a demonstration that the shares were to be sold was in itself sufficient reason for lifting the restrictions, there being no other requirement in the sub-section.

That seemed to overlook the requirement that the sale must be approved by the court. The submission was rejected as a matter of language and as a matter of common sense.

The language spoke for itself. A provision requiring approval of a proposed sale and no more must include approval of the fact that a sale was to be made at all.

As to common sense, Mr Potts's construction would deprive paragraph (b) of any real effect. He maintained that all that (b) required was that the shares should be returned to ordinary commerce, and that once the person who declined to disclose the relevant facts had divested himself of the shares there was no further need for the restrictions.

That last point ran contrary to the general policy of Part VI of the 1985 Act, and to the particular provisions of section 212 which enabled the company to serve notice on any person whom it had reasonable cause to believe to be or during the preceding three years to have been interested in its voting shares.

It was clear that in deciding whether to approve the fact of sale the court could take into account a failure to disclose the relevant facts about the shares.

Mr Lightman submitted that the requirement that a proposed sale should be approved by the court must be construed as one which gave it a wider discretion and larger function than those which Mr Potts would allow it.

That submission was based on *Re Westminster Group* [1985] *1 WLR 676,685* where the provision which was now paragraph (b) of section 456(3) was described as a dispensation from the general rule in paragraph (a).

That description and Mr Lightman's submission were accepted.

For those reasons Mr Potts's submissions as to the construction of paragraph (b) must be rejected.

The only remaining question was whether failure to disclose the relevant facts about the shares was, on the facts of the case, a sufficient objection to the lifting of the restrictions. To succeed on that Mr Potts must satisfy the court that Mr Justice Vinelott erred in principle or exercised his discretion in a manner which was plainly wrong.

The clear purpose of Part VI of the 1985 Act was to give a public company, and ultimately the public at large, a *prima facie* unqualified right to know who were the real owners of its voting shares (see *FH Lloyd Holdings [1985] BCLC 300*).

Mr Justice Vinelott gave due recognition to the fact that prejudice might be caused to innocent third parties. Mr Lightman rightly accepted that this was a consideration which the court ought to take into account.

The judge pointed out that if the restrictions were lifted, the company would be left with no real lever to prise open the casket in which the relevant facts about the shares were hidden. He thought those considerations outweighed the possible prejudice to innocent third parties.

That view of the matter was well within his discretion. There was no ground for the court to interfere. The appeal should be dismissed.

LORD JUSTICE GLIDEWELL agreed that the clear purpose of Part VI was to give the company, and ultimately the public, a *prima facie* unqualified right to know who owned its voting shares.

If the interpretation which Mr Potts sought to place on section *456(3)(b)* were correct that purpose would become more difficult of achievement.

MR JUSTICE MICHAEL DAVIES, also agreeing, said it was important that the provisions should be effective and that attempts to overcome them should be closely examined.

The appeal was dismissed.

For SMN and the bank: Robin Potts QC and Mark Hapgood (Slaughter & May)

For Geers: Gavin Lightman QC and Catherine Newman (Franks Charlesly & Co)

By Rachel Davies
Barrister

GUESS WHO NICK AND IMMY TURNED TO WHEN THEY NEEDED HELP WITH THEIR PASTA BUSINESS.

Tuck into *Rigatoni* at 'Basta Pasta', and you'll think you're in the Piazza San Marco, not the Piccadilly Plaza Manchester. The place, run by Nick Franchini and Immy Deshmukh, serves some of the best fresh pasta in the North-West.

(OK boys, that's <u>your</u> advertisement over with.)

Today, 'Basta Pasta' is doing quite nicely, grazie, but a few years ago it was just a dingy basement with a second-hand pasta machine.

That was before Nick and Immy wrote to Livewire, a scheme set up by Shell in 1982. Livewire's aim is to help young people create their own work, and over the years it's given a leg-up to thousands of small businesses, co-operatives and community projects. As it's grown, other sponsors have come in as well.

Although Livewire gives cash prizes for the most enterprising ideas, it also hands out something that's more important than money.

Practical advice. Everyone who joins in is linked up with their own business adviser to help get the project off the ground or grow bigger.

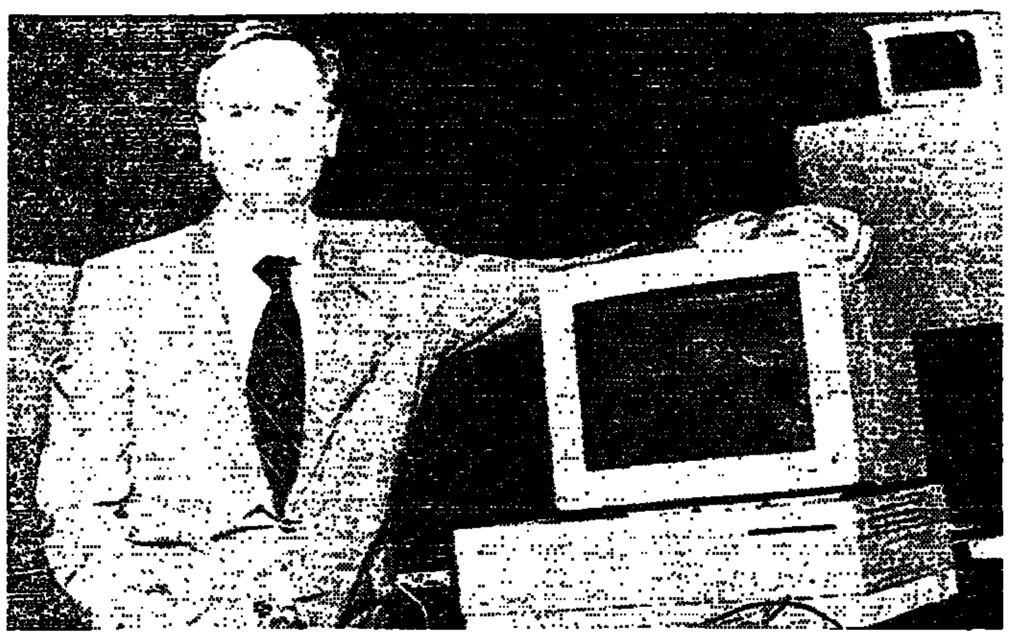
These advisers are professional people who give up some of their time to sort out the nitty-gritty of premises, production, finance and marketing.

If you've a business idea, you're 16-25, and you could do with this sort of help, write to Livewire, Freepost, Newcastle-upon-Tyne, NE1 1BR.

You never know, you might go as far as Nick and Immy. They're taking on the big boys now, planning a second restaurant, bigger and better than the first.

You have to admire their sauce. Especially *Salsa alla Vicentina*, a fresh sage and garlic-butter dressing that's particularly good on *Ravioli*.

YOU CAN BE SURE OF SHELL



Earlier this year, John Sculley launched Macintosh II. It was the failure of its predecessor which led to the rift with the computer's creator, Steve Jobs. "I realised I had created a monster," says Sculley

Apple's convert finds a missionary zeal

Louise Kehoe reviews John Sculley's revealing book

APPLE COMPUTER must be one of the most written about companies in the world. Since its earliest days as the entrepreneurial venture of a couple of Silicon Valley youths, through its flowering as a multibillion dollar personal computer corporation and, in 1985, its soap opera style management crisis, Apple has always conducted its business in a fish-bowl of publicity, never far from the headlines.

Despite mountains of magazine and newspaper articles and at least a dozen books, Apple remains a source of fascination. The company seems to have some secret charm that intrigues business analysts, confounds competitors and arouses insatiable curiosity throughout a world much broader than its sphere of influence.

Few know the allure of Apple Computer better than John Sculley, the former Pepsi Cola president who abandoned a brilliant career in traditional corporate America to "buy in" to Apple's dream - "a chance to change the world."

Four and a half years ago, Sculley arrived at Apple amidst a swirl of publicity to become president and chief executive. "Much of what was written about me was very far from the mark," Sculley recalls. "They said I was going to sanitise Apple," he says of those who noted the all too apparent contrast between Apple's youth culture and his traditional business background.

Today, it is clear that nothing could have been further from the truth. Sculley has not only swapped his business suits for the sometimes studied casual dress of his new West Coast home, he has become Apple Computer's chief "visionary", refining a loosely defined dream into a "mission" and espousing Apple's counter culture as a "model for the 21st century corporation."

His transformation, and that of Apple Computer, is the subject of his soon to be published book, "Odyssey. Pepsi to Apple...a journey of adventure, ideas and the future." Written with John A Byrne, management editor of Business Week magazine, his book is a sell-out even before it reaches most bookstores. Sculley mixes a shockingly intimate view of his personal experiences at Apple with a series of management tutorials to produce a "platform for Apple's gospel." It is a book that succeeds where so many others have failed since it reveals what is really going on at Apple Computer.

"Apple is driven by vision not policy," Sculley states. His company aims to "change the world, to change the way people work, think and learn, with high tech tools. We have an uncompromising passion to make those tools more accessible, more creative."

An intrinsic element of Apple's "vision" is that work should be fun. It is a concept that many in the business world find outrageous, he acknowledges. "But it is important." Despite the sale of millions of personal computers over the past decade, there is no solid evidence of productivity gains, he maintains. "Until you change people's behaviour, the way people work, you are not going to see productivity enhancements," he claims.

Sculley presents Apple Computer as a living laboratory of experiments in corporate management, a company that is living out the vision and, as Apple T-shirts proclaim, "Working 90 hours a week and loving it!" "I've also discovered a new world where business has less to do with competition and more to do with building markets, where success is measured not by (market) share points but by enlarging the playing field for everyone, thereby making the industry stronger," says Sculley.

This drive to create new businesses and new markets is the essence of Silicon Valley, Sculley's "new world". Widely recognised as a centre of technological innovation, "I hadn't realised (before joining Apple) that it is also a fountain of managerial innovation," Sculley explains.

He contrasts the structured, hierarchical culture of PepsiCo with Apple's free-form, "networked" organisation. "The beauty of a network is that it has no centre. It is a process more than a structure, composed of modular groups that establish themselves to take on a specific task... structure has no permanence...there are times when you want to change structures, the netowrk shifts to accommodate the change...Change is a source of strength."

As a newcomer at Apple, Sculley was mesmerised by Apple's co-founder and, at that time, chairman, Steve Jobs. The intense relationship that developed between them was the catalyst to Sculley's metamorphosis as he became entranced with playing the role of mentor to a young "genius".

The "Dynamic Duo" quickly won world acclaim as Apple's sales and profits soared. In those glory days of 1983-84, Sculley liked to say: "Apple has one leader, Steve and me. Nothing could stop us. Not ourselves, not IBM. Not even gravity, it seemed. Not only did we understand each other, Steve and I rejoiced in our similar reactions to the world. We could complete each other's sentences because we were on the same wavelength."

But the relationship - and Apple's fortunes - quickly soured. As Apple's plans to establish Steve Jobs' "Macintosh" computer in the business market faltered, Sculley began to recognise that he had made a near fatal error. "I had given Steve greater power than he had ever had and I had created a monster."

Sculley exposes every detail of the episode in which Jobs was ousted from Apple. "Steve pleaded with me...over and over...I searched for a corner of the room to awkwardly disguise my pain... Echoing in my mind was Steve's indictment...'You're wrong for Apple...I'm the only one who can save the company'...I wept there, wondering how it had come to this."

Apple was on the brink of disaster, its management team torn apart by the rift between Sculley and Jobs and demoralised by the lack of success of the Macintosh. The "vision", as Sculley puts it, had become clouded by introspection. Jobs' arrogance and Sculley's infatuation came close to destroying the Apple dream.

At the time, Sculley refused to talk. Today, he disarmingly admits his mistakes. Indeed, he sees such admissions as a strength. Other "ceo books" give a false image of corporate leadership, he claims. "The image of the chief executive as a tough, aloof, nearly macho hero is an anachronism in today's world. The new-age leaders will lead not with toughness but with powerful ideas...Yet the new-age leader almost has to show his fallibility. Making mistakes is a very real and important part of succeeding...At Apple, making mistakes is the only way to learn."

But Apple cannot afford to make any major errors in the near future, Sculley admits. He and his company must also take to heart the lessons that their recent crisis taught. Steve Jobs is gone, and Apple has a new visionary leader; the company has gained considerable ground in the business personal computer market and, once again, the world is entranced by Apple's success story.

And yet, as Sculley expounds upon his vision, there is something uncannily reminiscent of his predecessor in the way he talks: "We want technology to be the source of new tools for creating a new world. The new world we already have created inside Apple where creativity permeates every facet of our work environment, is but one small example..."

While Sculley claims that Apple is once again in touch with reality, his passion for Apple's mission comes dangerously close to the introspection that almost destroyed the company two years ago. Sculley himself talks of the similarities between his own personality and that of Steve Jobs. "Sometimes, I felt as if I was watching Steve playing me in a movie," he recalls.

It is difficult for those who have met both men to see the likeness. Sculley is unassuming, genuinely friendly and very impressive. Jobs, in contrast, is a young man who demands attention, who can be incredibly charming and is certainly extremely bright - yet insufferably arrogant.

What they have in common are strong egos. In Jobs, this appears as arrogance. In Sculley, it is a more palatable, yet adamant, certainty that he is at the centre of a movement that will have a profound effect upon the world. Both are passionate believers in the "Apple vision". The question remains whether either of them is right.

Odyssey. Pepsi to Apple...a journey of adventure, ideas and the future, by John Sculley with John A. Byrne. Published in the US by Harper & Rowe, $21.95 (to be published in the UK by Collins early next year)

Cast into spiralling decline

A report on the UK foundry industry shows a disturbing lack of recognition of the importance of training. Nick Garnett reports

THOSE WHO thought the recession had shaken up the notorious lethargy displayed for so long by UK manufacturing companies on the subject of training, will find a new 250 page report on the British foundry industry sober reading.

Its conclusions are gruesome. For one thing, companies in the industry do not believe they have any real difficulty with training but the report demonstrates that the problem is potentially fatal.

For another, it says that unless action is taken, the performance of the UK foundry sector will start to slide directly as a result of skill shortages. This is in an industry which has already proved that its ability to withstand foreign competition is poor.

The report, with the catchy title "The Foundry Industry in the 1990s and Beyond from a Training Point of View" is the result of an initiative from the British Metal Castings Council.

Some 300 or so foundry companies in the West Midlands and neighbouring counties were visited and interviewed over a 12-month period ending in April last year. These companies employ 20,000 people and account for a third of the UK's foundry output.

The industry is an important link in the manufacturing chain, producing ferrous and non-ferrous castings for a huge range of items from car engine blocks and parts of an aircraft fuselage to manhole covers.

One grim statistic stands out in the industry as a whole. Ten years ago foundry companies in the UK employed 130,000, including 6,000 trainees. By last year employment had fallen to 60,000 but training provision had virtually collapsed. Trainees numbered just 750.

"The industry's recruitment and training effort nationally has reduced by 80 per cent over the past ten years," the report says.

A half of the companies employing less than 100 do not train technical personnel at all. Training activity as a whole is short-term and ad hoc, the report argues. "Budgeting, planning and costing of training in real terms in relation to business investment is poor, particularly in small companies."

Deficiencies in training affected every type of job, including those of managers, technicians and craftsmen like pattern-makers. The document comments on what could happen to some of the infrastructure of training if this state of affairs continues. "College courses are under-utilised and in danger of disappearing," it says.

One curious fact in the report is that companies have all the information at hand as to what their training needs really are but somehow fail to understand what this information is telling them. For the 300 companies in the study, their own assessments of recruitment requirements over the next five years for replacing employees leaving was for more than 3,800 people. Yet their recruitment plans were for just over 700.

More than a quarter of employees in the companies under study, 44 per cent of managers, and 38 per cent of supervisors are over 50 years of age.

"What is particularly worrying is that companies do not seem to recognise the position they are in," says Norman Gledhill, secretary of the council and director of the British Foundry Association. "By the early 1990s we are likely to face a situation where it will be difficult even to deal with the problem."

A number of positive developments have come out of the study. These include a comprehensive guide to training courses suitable for foundry personnel and a computerised information bank on grants available to assist companies seeking financial support for training. A training package on quality has also been produced.

The report, not surprisingly, says the industry must embark on better manpower planning, use college courses far more liberally, and spend the kind of money on training that competitor foundry industries are doing. If not, adds the report, companies are unlikely to remain in business.

Management abstracts

Job design: approaches, outcomes and trade-offs, *by M.A. Campion & P.W. Thayer in Organizational Dynamics (US), Winter 87 (14 pages)*

Argues, with examples, that poor job design often results in poor operator performance (although the worker, not the job, is usually blamed); examines the principles, benefits and drawbacks of various approaches to job design, each with its own set of outcomes, costs and benefits, which can be used to diagnose organisational problems, to redesign jobs, and developing new facilities/work organisations. Contends that none is better than the others, and not one can satisfy all criteria; trade-offs will be necessary whichever approach is chosen, and will depend on the types of outcome the manager wishes to maximise.

Is your business temporary-ready? *by R.L. Coles in Personnel Journal (US), Jan 87 (2 pages)*

Points to the increasing use of temporary workers, but argues that many companies are not prepared for employing temps; outlines how employers can make the arrangement more productive both from their own point of view and that of the worker; suggests that employers provide agencies with prior information on matters such as the formality or informality of the work setting.

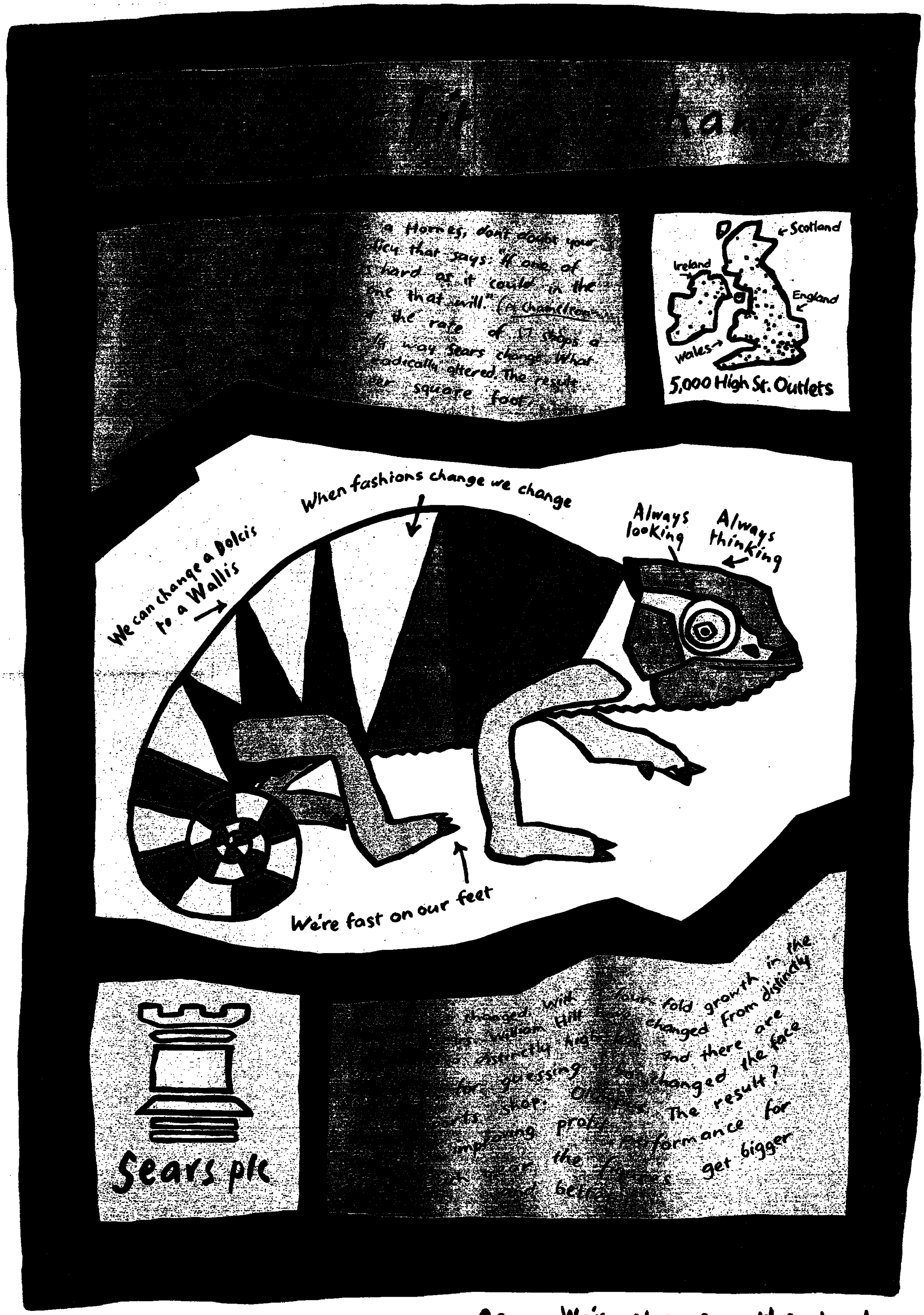
Human resource development, *by I. Jensen in Training & Development (UK), Jul 87 (2½ pages)*

An essay which deplores the historic organisational linkage of training departments to the personnel function, and argues that trainers should be considered as consultants to the business, involved in all stages of strategic planning - with the proviso that they must deliver the goods. Along the way, offers thoughts on the necessary background of personnel directors (ideally from the training function), and the need for trainers to cast aside the 'teaching' image.

Distance learning - the key to change, *by F. Jane in Transition (UK), Jul 87 (2 pages)*

Briefly describes how Thorn Security has adopted distance learning for training and retraining in order to keep up with changing technology. The courses (12 modules are available, from basic electrics to advanced digital electronics) are run in association with Slough Technical College, and company training officers act as mentors for students.

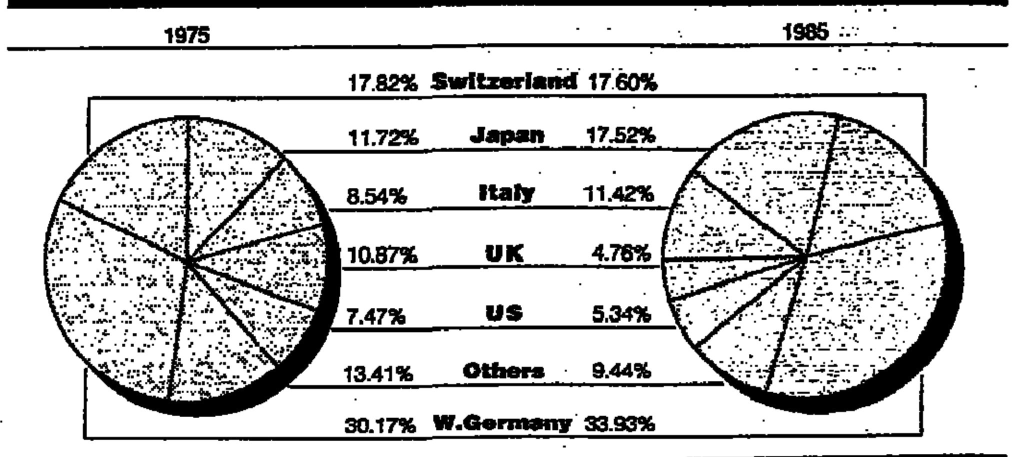
These abstracts are condensed from the abstracting journals published by Anbar Management Publications. Licensed copies of the original articles may be obtained at a cost of £4 each (including VAT and p+p, cash with order) from Anbar, PO Box 23, Wembley HA9 8DJ



Sears. We're strong on the streets.

Nick Garnett reports on a Far Eastern thrust into Europe

Japan's machine tool bridgeheads



JAPAN'S MACHINE tool manufacturers have started to make real headway in establishing production bridgeheads in Europe, their second biggest export market after the US.

Within the past year, six Japanese machine builders have either begun assembly operations, given notice that they intend to do so, or have significantly increased their existing shareholdings in indigenous European machine tool companies.

Cecimo, the European committee for machine tool makers, has privately expressed some unease at this development. As yet though, most of these Japanese-owned sites are still in the early stages of production.

The Japanese move, which involves some of the biggest names in machine tool building, has been encouraged by the damage inflicted on their sales and profits in Japan itself by the rising external value of the yen. Only two of the country's 10 largest machine tool builders are believed to be making money.

Japanese companies have about 10 per cent of European machine tool sales but in machining centres and lathes, the mass-produced machines in which they specialise, their penetration is well over 20 per cent. However even for these machines, Japanese sales have fallen in most European markets this year.

Imports from Japan to Europe are constrained by a five year-old voluntary agreement but it is the yen rate rather than this arrangement which has been hurting their market penetration.

The Japanese decision to extend production operations in Europe, however, does appear to be influenced by the voluntary restraint arrangements agreed with the US government.

Japanese manufacturers have so far concentrated on setting up production bases in the US. But European production sites would give the Japanese added supply flexibility when taking account of currency movements.

Last year, Japanese machine tool shipments to North America were worth Y144.8bn ($986m) - more than a third of their industry's total exports - as against Y77.6bn to Western Europe.

Four developments have taken place this year in France where the recession at the start of the decade inflicted tremendous damage on the country's machine tool sector.

●Amada has purchased the financially-troubled Promecam Sisson-Lehman at Chateau-du-Loir. The Japanese company intends to make presses and shearing equipment there and says it will inject around FFr50m ($8.1m) into the operation. It has also indicated that this plant will export to the US.

●Mori Seiki, one of Japan's biggest machine tool companies making machining centres and lathes is discussing with the French Government the possibility of setting up a production facility, probably near Paris. The company already has a production agreement with Cazeneuve, a French machine builder.

●Mitsui Seiki, a much smaller company, is already building a facility at Bonneuil, near Paris, to make machining centres and has also indicated that it will export to the US from France.

●Meanwhile, Toyoda, the machine tool arm of the Toyota group, increased its stake in Ernault-Toyoda from 50 per cent to 58 per cent. Schneider, the electrical group holds 25 per cent, and Sofirind, the state-owned machine tool group the remaining shares.

Toyoda began its co-operation agreement with what was then the struggling Ernault Somua group in the early 1980's and has been extending its influence since then at the company's two production sites at Cholet, near Nantes, and Montzeron, on the outskirts of Paris.

Mr Xavier Castelli, Ernault's sales director says production this year is running so far at the rate of 12 lathes and seven machining centres a month.

One of Ernault's principal competitors is Yamazaki which, so far, has been the principal investor in production plant in Europe. Its facility in Worcester, England came on stream at the beginning of this year producing lathes and machining centres.

This plant is large and well-equipped with flexible manufacturing systems. To begin with, local component content of machines will not be high. The plant involves £35m ($56.7m) worth of investment, according to Yazamazaki, of which £5.2m was provided through British Government assistance.

The Worcester site could produce up to 1,200 small machines a year but the mix of machines will mean that its unit output will be much lower than this. Mr Teruyuki Yamazaki, the company's president, said this year that 80 per cent of Worcester output would be exported, mainly to mainland Europe, but that the plant will probably also re-export machines back to Japan.

In West Germany, Makino has had for some years a half share in Heidenreich and Harbeck, the other half being controlled by Gildemeister, the big West German group specialising in turning machines. This year Makino increased its stake to 86 per cent.

Heidenreich manufactures Makino-designed machining centres with almost all components, except the controls, made in West Germany. These machines are at the more expensive, high precision end of the market.

Japanese manufacturers have had a production presence in Europe for a long time through exporting machine kits to European builders. This has been common in the UK, with TI taking Takasawa machines, for example, and Pollard buying Mitsubishi machines, on which the British company adds a lot of systems engineering.

In some cases, for example in the relationship between Yasuda and Bridgeport, the Japanese-designed machines are made up almost entirely from EC components.

These new Japanese production facilities, however will increase the strain on an already crowded market which includes a range of European-owned producers. Some of these are large, such as Deckel and Maho of West Germany, which make milling machines and maching centres, Mandelli in Italy and Gildemeister itself.

European manufacturers are continuing to reposition themselves. This year, Maho unexpectedly purchased Graziano, a lathe maker based at Tortona, Italy. At the same time, Gildemeister bought a share of Sonin, a maker of small inclined bed lathes with a high penetration of the French automotive and aerospace industries. Neither acquisition appears to be directly linked to the activities of Japanese machine tool manufacturers.

The Japanese machine tool industry's plans to build up production in Europe are still modest compared to its stake in the US. Japanese manufacturers targeted the US market at the turn of the decade and wreaked havoc among North American machine tool companies, eventually taking 65 per cent of sales for machining centres and lathes.

A possible sign of the times, however, is that Miyano, whose North American facility is near Chicago, said recently that it would set up an assembly site in Europe if it felt that would do it some good.

The Defending Champion

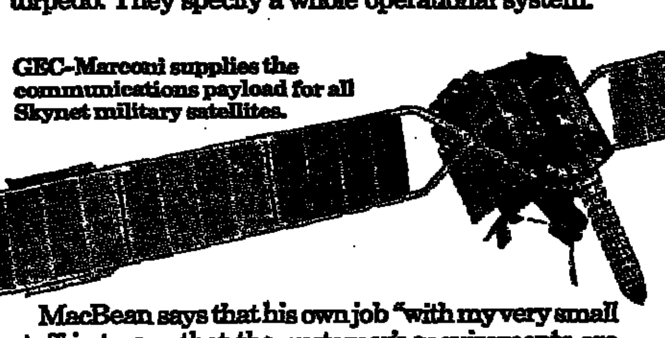
Ian MacBean's new company began life with £2 billion of sales, some of Britain's top technology and world trade, which as he tells Robert Heller includes U.K. exports that boomed to £600 million – from "almost zero."

Dr. MacBean, Managing Director of GEC-Marconi Limited. *Photography by Terry O'Neill.*

NOT often is a new company born with £2 billion of sales, "as near as makes no difference." The words come from Ian MacBean, who recently put the finishing touches on GEC-Marconi – a reorganised giant which brings nearly all the General Electric Company's defence business into one group that is crammed with some of Britain's most advanced technology. Four-fifths of the new grouping's sales are defence-related. Half of the UK output now goes into a world market where, in the mid-seventies, GEC's presence, says GEC-Marconi's managing director, was negligible.

Dr MacBean, now 55, has been working in GEC, and in defence, for the past 30 years, all of them based at Stanmore: "either I'm very lucky or I'm stuck in the mud." Those three decades, though, have seen prodigious upheaval, both in the defence market and in GEC's defence business. The two changes are closely related. Today the customers – whether they are the Ministry of Defence, the Pentagon or another foreign Government – "don't ask for a radar or a torpedo. They specify a whole operational system."

GEC-Marconi supplies the communications payload for all Skynet military satellites.



MacBean says that his own job "with my very small staff is to see that the customer's requirements are met" by coordinating his sixteen operating companies: each, in classic GEC fashion, a separate business with its "own set-up and managing director," responsible for all functions – financial control, marketing, research and development, the lot. The business, as MacBean says, "has always been based on having the best technology available." That's now costing around £450 million a year; 80% of that is provided by the customer, "a very substantial help," as MacBean drily observes – but a good deal less substantial than the 95% of the past.

"From the seabed to 22,000 miles above the earth."

"Long-term that will not impact profits if we produce good products that sell." In other words, the similarities between GEC's defence business and its civil work have greatly increased – indeed, "we are concentrating on expanding civil sales" (currently some 20% of the business). The "technology which defence gives us" is by definition in the scientific vanguard, and MacBean's company will either use it "where we know the markets or supply it to other parts of GEC."

DESPITE MacBean's involvement in defence ever since starting his career at Stanmore (as a development engineer in microwave systems), his first major step in 1964 was a move towards civil work. He was asked to set up GEC's first entry into satellite communications; as a divisional manager with a staff of one – himself.

MacBean helped build the business from "the ground floor up" towards the stars. The company built all the equipment for Britain's first satellite ground station at Goonhilly in what became an "on-going and fairly flourishing business. But it never quite took off the way our early pipe-dreams imagined."

That is an occupational hazard of high technology, and MacBean has had plenty of consolations – as in the remarkable tale of "one of my first loves." In 1969, GEC had only a trivial involvement with torpedoes – indeed, "there wasn't a UK torpedo industry." GEC was doing "very low-level experimental work" at Stanmore. But with the government's programme in grave and obvious difficulties, MacBean "sat down with my boss" and started to "wonder if there is a business in torpedoes." What started with four engineers going down to the Admiralty establishment in Portland had become by 1982 ("after many gyrations, much hassle") a business turning over some £200 million.

GEC-Marconi is now Britain's main supplier of torpedoes. MacBean has a particular reason for citing its Stingray programme. At the end of the Seventies, Stingray was not making progress, and "we were impotent to do anything about it." The management sat down with the Navy and after prolonged negotiation arrived at "a firm agreement, management control and a fixed price." The result was a weapon "highly satisfactory in operation" and "one of the most successful procurement programmes ever undertaken."

MacBean sums up: "we did a sound job and made reasonable money" – even though in 1978 Stingray was "in a similar position to Nimrod. It was late, over-cost and beset with technical difficulties."

MacBean's analogy with the torpedo saga is self-evident: GEC should have insisted on taking full charge of Nimrod in the same way. In future, "the large programme in which our degree of management control is very limited will not be repeated. We won't go willingly down that path."

"Half of the UK output now goes into a world market."

That vital lesson apart, Nimrod is "no longer an issue as far as we are concerned. It is a thing of the past. We are pursuing the remainder of the business in a very successful way." In this pursuit, MacBean concentrates on looking after the management and motivation: "My job is to give maximum freedom, but hopefully to guide the whole thing." Although MacBean is a technologist, and "defence is as near to technology-push business as GEC gets," his involvement is far less with the technology (which has left him "far behind," despite his PhD) than with the new business opportunities – for main example, abroad.

"The biggest supplier of HUD's in the world."

In working up from the "almost zero exports" of 1975, "we've had to learn how to market on a world-wide basis." There is clear evidence that the learning has been effective from the United States, where GEC has used every available route to become one of the top 100 suppliers to the Department of Defence. That adds up to $200 million a year and to a very positive achievement, given the inherent difficulties such as the power of immensely strong local defence manufacturers. One solution to the problem of beating 'em, however, is to join 'em, hence the recent purchase of defence interests from Lear Siegler in the US.

GEC-Marconi can also crack this literally well-defended market by unique excellence of product, as in HUD – the "head-up displays" which project flight information in front of a fighter pilot's vision. MacBean's company is "the biggest supplier of HUDs in the world." Avionics is a business where technology is often common for both military and civil applications, though in most cases technology transfer from war to peace is notoriously "not easy to do." To achieve it involves manipulating something MacBean much admires – "the GEC style of autonomous operating companies." Today, he sees "much greater determination" among his fellow managing directors to turn the mutual autonomy into a strength by exploiting technology transfer.

MacBean, of course, has to keep technology transfer flowing within his own operating companies: the new GEC-Marconi structure is designed to take full advantage of their combined strengths more effectively than in the past.

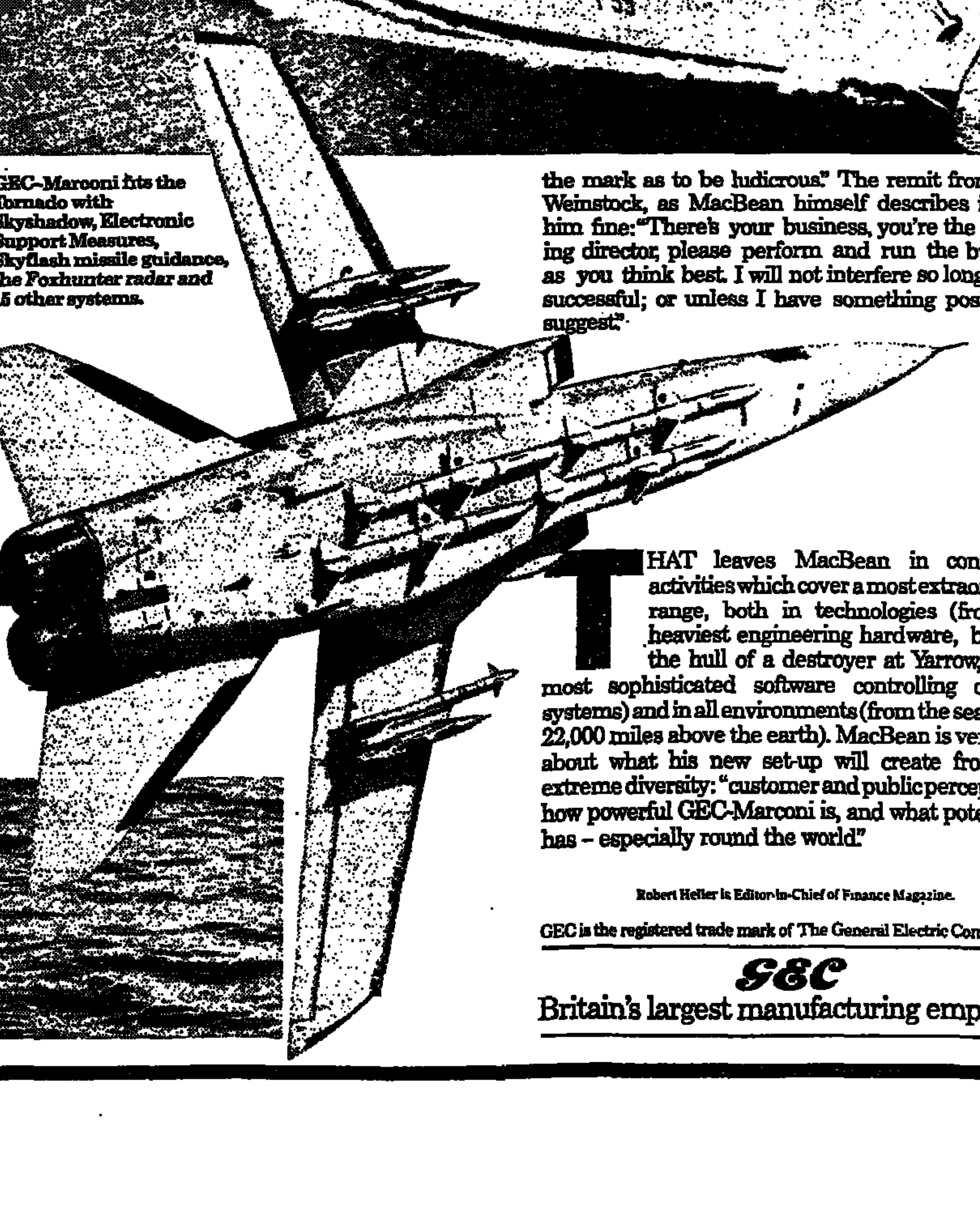
"We'd reached a watershed": GEC defence businesses that were "very, very successful in their own right" had to "spend a lot of time fighting people who were much bigger. To tackle world markets and fight on, we had to be on equal terms with major competitors."

"The business has always been based on having the best technology available."

Since he took over his current job 18 months ago, MacBean has therefore been working "to turn the whole thing into a coherent group." The overriding idea is "to maximise total capability: to bring together individual units to be in a position to take on major projects as prime contractor" in one of the world's most competitively challenging businesses.

The challenge can be measured in jobs as well as with money. If a business grows by "under 15% per annum compound, it will have to shed people." Heavy investment in automation is mandatory: "the sole aim is to manufacture at a low enough cost so that we can sell competitively." MacBean's own bosses at Stanhope Gate accept the necessities: "I can't remember anybody ever saying, no you can't invest in new capital equipment. That is so wide of the mark as to be ludicrous." The remit from Lord Weinstock, as MacBean himself describes it, suits him fine: "There's your business, you're the managing director, please perform and run the business as you think best. I will not interfere so long as it is successful; or unless I have something positive to suggest."

HMS Cornwall, a Batch 3, Type 22 Frigate. GEC-Marconi, through its shipbuilders at Yarrow, designs and builds not only the Type 22 and the recently launched Type 23 frigates but also provide the radar communications and a multitude of sub-systems.



GEC-Marconi fits the Tornado with Skyshadow, Electronic Support Measures, Skyflash missile guidance, *the Foxhunter radar and* 15 other systems.

THAT leaves MacBean in control of activities which cover a most extraordinary range, both in technologies (from the heaviest engineering hardware, building the hull of a destroyer at Yarrow, to the most sophisticated software controlling defence systems) and in all environments (from the sea-bed to 22,000 miles above the earth). MacBean is very clear about what his new set-up will create from this extreme diversity: "customer and public perception of how powerful GEC-Marconi is, and what potential it has – especially round the world."

Robert Heller is Editor-in-Chief of Finance Magazine.

Stingray is the world's best lightweight torpedo. GEC-Marconi is prime contractor for all UK torpedo programmes.

Making production costs count

By Alan Cane

COMPANIES in the north-west of England are being asked to help solve one of the most pressing problems in modern industry - how to develop cost management practices appropriate to the new manufacturing systems now being introduced.

Price Waterhouse, the management consultancy, is today sending a specially designed questionnaire to some 400 manufacturing companies in the north-west.

The aim is to establish whether cost management systems used in the region have kept pace with developments in manufacturing technology such as materials requirements planning (MRP II) and the 'Just-in-Time' inventory philosophy.

According to the survey's authors, Roy Davies and Norman Molyneux of Price Waterhouse, existing cost management methods are frequently irrelevent to modern technology and provide misleading information for managers which hinders effective decision making.

Today's systems are still heavily biased towards the labour content in finished goods and make no allowance for the improved quality and reliability of goods manufactured using the new methods. In one example studied by Price Waterhouse in the UK, the cost management system recorded only direct labour although that represented less than 10 per cent of the total cost.

The problem is well known in the US where consultants from Price Waterhouse and its competitors have been trying to develop new cost management methods which give proper weight to the new techniques. Molyneux says, however, that although the problem has been well defined, nobody has yet produced an effective answer.

The UK study has two phases. In the first, companies completing the confidential questionnaire will have their systems evaluated individually by Price Waterhouse cost management specialists.

The second phase consists of a half-day workshop to be held late in November when the overall results of the survey will be presented together with an analysis drawing on US and Japanese experiences.

More details and the questionnaire can be obtained from Roy Davies or Norman Molyneux on Manchester (061) 228 6541.

Turbo development changes up a gear

John Griffiths examines the way in which the most popular route to boosting engine performance is moving towards incorporation in the "intelligent" car of the 1990s

Latest addition to Garrett's Century series of turbochargers, the T-250 is part of an integrated family of designs aimed at improving applications flexibility

THE TURBOCHARGER, that seemingly simple way of using exhaust gas to gain extra "something-for-nothing" power for cars and trucks, is itself accelerating towards much greater complexity.

The next generation, according to Garrett Automotive, which currently makes about half the world's turbochargers for cars and lorries, will be electronically-controlled - just one more parameter to be manipulated by the computerised management system of the "intelligent" vehicle of the 1990s.

"Not only will any last vestiges of turbo "lag" become a thing of the past," says Paul Craig, vice-president, business development and planning. "electronic management of maximum boost pressure, and the nozzle diameter through which exhaust gas reaches the turbo, should be able to give as much torque as the transmission can accommodate. And at almost any engine revolutions."

The speed of exhaust gas flow past the rotor will be controlled by computerised adjustment of multiple vanes, almost irrespective of engine rpms(revolutions per minute).

Turbos essentially comprise a housing containing a shaft with a rotor at each end - one in the exhaust stream the other in the air/fuel intake stream. The faster the exhaust gas-driven rotor is turned, the more the fuel/air mixture is compressed before entering the combustion chamber. The result is much more power and torque dependendent on throttle opening.

The turbo "lag" criticised so much in the past by the motoring Press arises from the inertia of the rotor producing, in early turbocharged cars, an agonising delay between the throttle being depressed and power becoming available.

Tests of electronically-controlled turbos, originally developed by Garrett Aerospace for commercial aircraft gas turbines, are already under way with some customers, says Craig.

The electronics aspect is in addition to other performance-improving factors like the use ceramic rotors, much lighter than ones made of metal, he adds.

At the Frankfurt motor show last month, Garrett, a subsidiary of Allied Signal of the US, launched a new turbo for small engines. This was indicative of the technology leap that has already taken place in the automotive sector since Garrett introduced its T3 turbo in 1979. The T3, which became one of the world's most popular turbos, had peak revolutions of 130,000 rpm. The just-launched T15 has a ceiling rotational speed of 230,000 rpm.

Despite the technology drive, however, Craig makes clear that Garrett is taking a pragmatic view of the turbo market. He dismisses, for example, all notions that the extra power and torque made available by the turbo will mean virtually all car engines being turbocharged, thus making it possible to have smaller, lighter engines with no loss of performance.

In the petrol sector, he suggests, "a turbo vehicle will still be mainly a performance vehicle."

Turbocharging is particularly valuable for making good the relative performance deficiencies of a diesel car. But "looking past the year 2000, I still don't see penetration for turbos in diesel cars above 50 per cent and above 10-15 per cent for petrol cars." About 6 per cent of cars are currently turbocharged.

Garrett is also developing superchargers, for no other reason, says Craig, than that vehicle manufacturers might prefer them for some specific applications. "But we see only a small, complementary role for them - they tend to be inefficient, bulky and noisy."

Bulletproof designs with water-cooling

Meanwhile, experience accumulating since Saab of Sweden pioneered road-going turbo cars in the late 1970s is throwing up some fairly disturbing data on turbo longevity, claims Craig. The problem of premature failure rates turning out to be higher than expected, is not intrinsic to the turbo but to the manner in which it is used.

Owners failing to change engine oil or filters at the right time, or use of mediocre quality oils, can prove seriously damaging. It is not hard to see why. Prolonged motorway driving, for example, is bound to generate a great deal of heat in the exhaust system and the turbo unit.

If the car is driven, say, into a service area and immediately switched off, the intense heat within the turbo can actually drive off the liquid content of the oil on the turbo bearing, leaving instead a miscroscopic layer of solid deposits.Thus when the engine is re-started, and particularly if the throttle is blipped, the turbo rotor could briefly be turning at very high speed with its bearing dry and subject to severely excessive wear.

Given the number of drivers unlikely to take the obvious course of allowing the engine to idle for a minute or so to dissipate turbo heat before switching off, Garrett has now decided to " bulletproof" all its turbos via water-cooling, says Craig.

This is despite the much magnified casting difficulties involved in not only meeting demand for turbos to be made smaller, but also surrounding the oil ducts with cooling water channels.

The means adopted by Garrett for dealing with high localised heat after high-performance useage is ingenious: in the absence of pumped water circulation after switch-off, a valve and small expansion tanks in the immediate vicinity of the turbo rotor are brought into play. The "local" water, undertandably, boils instantly after switch-off, the steam forcing open a one-way valve to be ejected into the expansion tank (where it is cooled and returned as water to the main system). Fresh water rushes in to fill the vacuum, boils, is ejected as steam - and so on until the turbo unit is adequately cooled.

Joint ventures with Japan are "firmly out"

Such designs, however, have been made possible only by the advent of computer-aided design and flexible manufacturing systems.

"For example, five years ago developing a new compressor would take 18 weeks from demand to test evaluation. Now it's three weeks, with any further modifications to the basic design taking 48-72 hours," says Craig. Machine tooling is created simultaneously with the final design.

Putting in such systems is necessary because vehicle makers are becoming increasingly reliant on suppliers to undertake design and development. Component makers who do not respond are going to die, says Craig. Garrett has already designed and developed for Ford an integrated manifold/turbo unit.

Currently, Garrett is in the final stages of a £10m investment in new technology and expanded production at its UK plant at Skelmersdale. This produced its 2 millionth turbo last year.

The European market, says Craig, "has become very strong and aggressive, and we're investing where the markets are." To date that investment in Europe totals $62m and includes a second production plant in France.

Japan has not been left out. Garrett, which claims a 25 per cent share of the Japanese car turbo market, opened a turbo manufacturing plant there last year to supplant imports. Already, says Craig, "we are as close as anyone in Japan to being viewed as a Japanese supplier."

Garrett has Japanese turbo manufacturing rivals, like IHI, and Craig readily acknowledges "they are going to get market share - but it won't be overwhelming."

Turbocharging or, more properly, charge-air induction technology, is led by Garrett, claims Craig. "That lead won't readily be thrown away.

"We've got 50 per cent of world markets and the Japanese plant will provide us with a springboard into the Far East."

But joint ventures with the Japanese, and what that might entail in technology transfer are, he indicates, firmly - out.

Security focus on night-time intruders

HIGH LEVELS of security are possible with television cameras from Henderson Security Electronics of High Wycombe in the UK.

These devices can see virtually in the dark - certainly below the level of starlight. Intruders can thus be observed without them knowing it.

The cameras use charge-coupled devices(CCDs) to sense the images, assisted by image-intensifier tubes which take the tiny amounts of light from the camera lenses and amplify them to levels that the CCDs can register.

It is claimed that the system, designated VC390, can operate at lower light levels than any other surveillance cameras and gives clearer pictures.

Smart moves within EFTPOS confusion

A REPORT from Post News, the UK market research company, says that the EFTPOS(electronic funds transfer at point of sale) market is taking so many directions in different parts of the world that there is little chance of the equipment involved ever being made in sufficient volume for prices to become attractively low. Ron Brown, who wrote the report, says "It is almost impossible to conceive of a more confused picture."

EFTPOS allows a shopper to insert a card in a terminal, key in a personal number and have his or her bank account immediately debited. But according to Brown, there are no signs of the unified worldwide system that one day must emerge if EFTPOS cards are to be used freely and easily everywhere.

The 282-page, £149 report, Electronic Banking 1, focuses on the smart card and points out that France is no longer the only interested country.

There are a dozen systems in use in the US with 30,000 terminals, and half of Norway's banks favour the use of smart cards. There is also growing use in Japan, where 130m such cards are likely to be in use by the early 1990s.

The Japanese Electronic Machinery Association predicts that, with sales volumes probably reaching US$25bn, smart card equipment will take a 17 per cent share of Japan's total industrial electronics market by 1995.

With sales at this level, says Brown, costs will fall to a fraction of present values, giving smart cards "an overwhelming advantage" over the magnetic stripe variety to which the UK banks are currently wedded for EFTPOS and other functions.

Easy entry to the world of CAD

COMPUTERVISION, THE US-based computer-aided design (CAD) company, hopes to encourage more people to take up CAD by offering Entry Plan, a comprehensive package which includes hardware, software, training and consultancy.

The package offers a choice of four kinds of hardware, the company's CADDS 4X software, a minimum of 14 man-weeks of training at a Computervision training centre and four man weeks of consultancy. Later, the system can be easily upgraded to suit the user's needs.

WORTH WATCHING

Edited by Geoffrey Charlish

HP chases wider terminal market

FOR THE first time, Hewlett-Packard, the US-based computer company, has introduced user terminals which are designed to run on other manufacturers' computers. Previously, HP terminals have only worked with HP systems.

The new HP 700 machines are competitively priced. For example, the IBM compatible unit costs £690 in the UK.

The terminals have 14-inch screens, produce crisp pictures and are available in green or amber.

CONTACTS: Henderson Security: UK, 0494 450211. Post-News: UK, 0935 88245 Computervision UK office, 0256 58133 Hewlett-Packard, UK office, 0734 696622.

Television/Christopher Dunkley

Taste of autumn to come

Summer holidays are over. The festival season is over. Soon the clocks will go back, the rain will come down, and the average number of hours devoted to television viewing each week, which has remained at 22 throughout the summer, will rise to 27 or 28. The autumn season is upon us, supposedly the best of the year for television, and new series are popping up all over the schedules.

Let us start with the good news. BBC1's *Pulaski* is that rare phenomenon, a successful comedy thriller. The first reaction on discovering that the central characters are a male/female detective duo and that the tone is "wacky" (as the Americans will insist upon saying, unless they have learned the phrase "off the wall") is that we are faced here with an attempt to produce a British version of *Moonlighting*.

But it quickly becomes clear that there is more to *Pulaski* than that. The central character is not really a detective but the actor Larry Summers who plays a detective in an awful mid-Atlantic series called "Pulaski," obviously modelled on *Dempsey And Makepeace*. Summers is a boozy American show-off whose English actress wife plays his sidekick in the series. Her county background provides a nice contrast for Summers' American brashness.

The strength of the series is that it is written by Roy Clarke, author of *Last Of The Summer Wine*, who has a fine ear for authentic dialogue. Film technicians do, indeed, say things like "I've felt dreary all day, I had the squid last night. Did *you* have the squid last night?"

The chief doubt is whether the central ideas can be sustained: Summers carrying his Pulaski persona over into real life, and the continual technical trick of fooling us into thinking we are watching Summers do something quite crazy, only later allowing us to realise we are watching him perform as Pulaski. Let's hope Clarke does keep it up because the opening episode was funnier than any of this season's new half-hour sitcoms.

It is arguable whether *Blackadder The Third* can really be called "new." The original series was set in the reign of Richard I, the next series in the reign of Elizabeth I, and now we are into the Regency period. Since all three have starred Rowan Atkinson as a boastful and sly footnote to history it might be assumed that the form a unified work just as much as the different batches of *Fawlty Towers*, say, or *Dad's Army*.

That would be wrong, however. The original *Black Adder* never fulfilled its promise, *Blackadder II* was hilarious, but now with *Blackadder The Third* we are back on weaker ground. Script writers Richard Curtis and Ben Elton are still bestowing a wonderful line in contempt upon the Atkinson character ("Either I think up a plan or tomorrow we meet our maker: in my case God, in your case God knows, but he can't have won any design awards") but in this new series there are no supporting characters to match Percy, the Queen, and Nursey, and this is a considerable loss.

The series is not as much of a come-down for Atkinson, however, as *The New Statesman* (ITV) is for another of the new generation of comedians, Rik Mayall. The career of a sneering, grasping, wholly unscrupulous Thatcherite MP might have seemed like sure-fire material for a sitcom, but this series serves mainly to make you wonder whether Mayall should not, after all, have stuck to the adolescent obsessions of pimples, willies and bottoms with which he endeavoured to win laughs previously.

The most mystifyingly successful new comedy, though not a sitcom, is *The Dame Edna Experience*, also on ITV. This is not a chat show but an anti chat show, with all the conventions being sent up. People occasionally tripped down the little flight of steps at the Parkinson show, so Barry Humphries has a vast staircase down which his guests have to traipse—or, in the case of Charlton Heston this week (in a wheelchair) fall. Heston then took no further part in the show.

Once onto the set, guests are given huge lapel badges (two for Miss Gabor, each one saying "Zsa") and then systematically insulted by "Dame Edna." The mystery is why people such as Germaine Greer, Nana Mouskouri and so on, co-operate so willingly in their own ridicule. Either they do not realise what is going on, which hardly seems credible when the remarks are as pointed as this week's concerning Germaine Greer's frightful dress; or they understand what is happening but think wrongly that they can get the better of Humphries; or they fully understand the consequences but are too vain to refuse any chance to appear on the box. Whatever the reason, Humphries has carried the chat show to its logical extreme: the hosts is now unquestionably the centre of attention and the guests mere grist to his mill.

On the factual side I have not so far seen anything which would mark this season out from any other, though I have not yet started watching Bryan Magee's BBC2 series about *Great Philosophers* for which I have high hopes, and to which we shall return.

Channel 4's series on the American civil war, *The Divided Union* is a model of conventional documentary programme-making which, however, threatens to tell me more about the topic than I really need to know. You may have to be American to want to spend five hours with the subject.

It is an odd thing to have to say but *Peter Ustinov's Russia* on BBC2 varies in its attractiveness in inverse proportion to the time spent on screen by Mr Ustinov. The information he had to convey in voice-over last week about Lithuania's place in history was fascinating, but the sequence on child basket-ball players, with Ustinov himself seen from different camera angles, was tedious. Similarly, the facts about Napoleon, Tolstoy and Russia were compelling but the "interview" between Ustinov and Tsar Alexander I was indulgent. Kenneth Griffith does this sort of thing rather better, playing *all* the parts. Perhaps Mr Ustinov should be invited to participate in *The Dame Edna Experience* . . .

The best documentaries so far have both been in the arts field: Tony Palmer's *Callas*, opening a new season of The South Bank Show, and *Buster Keaton—A Hard Act To Follow* which has sustained the superb quality of all Brownlow and Gill's work so far on Hollywood. Part 2 of the Keaton series is on ITV tonight, with *The General* to follow on Channel 4; another in the wonderful series of great silent movies revivified by Brownlow and Gill for Thames TV.

Of course the autumn season is hardly into its stride yet, and there is much more still to come. In mid October Channel 4 will screen Claude Lanzmann's highly praised nine-hour documentary about the holocaust, *Shoah*, on two successive evenings. There is no archive film in the programme which relies entirely on interviews and film of the present day sites of concentration camps.

The BBC will screen its first ever recording of an English National Opera production when it presents *Lady Macbeth Of Mtsensk* as the highlight of BBC2's Shostakovich season. Bernard Levin who followed amusingly in Hannibal's footsteps through the Alps will be travelling in a new C4 series *To The End Of The Rhine*.

There is a lot more serial drama to come. BBC2 will present a seven-episode adaptation of John Le Carré's latest book *A Perfect Spy*, with Peter Egan as Magnus Pym, and BBC1 will offer *My Family And Other Animals*, Gerald Durrell's autobiographical account of his childhood, shot entirely on location in Corfu.

Next Friday ITV begins *The Bretts*, a story about a theatrical family during the roaring twenties starring Frank Middlemass, Norman Rodway and Barbara Murray; and Channel 4 has a brand new series of *Hill Street Blues* to offer.

It could yet turn out to be a vintage autumn season.

David Andrews as Larry Summers in "Pulaski"

The Electrification/Glyndebourne

Max Loppert

An important occasion at Glyndebourne on Monday: for the opening of the 1987 Glyndebourne Touring Opera season, a new opera. *The Electrification of the Soviet Union*—music by Nigel Osborne, libretto by Craig Raine after Pasternak's The Last Summer—was commissioned for Glyndebourne by the BBC, and is the first full-length operatic premiere to take place in this theatre since Maw's *The Rising of the Moon*, in 1970. Glyndebourne has demonstrated admirable faith in its latest offspring—after being toured (along with *Cosi* and the Ravel double bill) this autumn, *The Electrification* is to form part of the 1988 festival repertory.

An important occasion, then, but also, I regret to say, a melancholy one. The history of operatic premieres is littered with reviewers' premature pronouncements of failure, and one hesitates to add to the debris — especially as there is much of obvious merit in both music and text. But after so flat, so limply undramatic an evening in the theatre, I think a certain amount of head-shaking is in order.

In last Saturday's columns Andrew Clements outlined the genesis of the opera, tracing the stages in which Pasternak's novella became Raine's libretto, and the influence — almost entirely malign, it appears to me from the finished article — later exerted on the operatic progress by the young American opera and theatre producer, Peter Sellars (who makes here his British debut).

Examined as it were in isolation, each of the first three elements in the compound, Pasternak, Raine, and Osborne, promises much. The semi-autobiographical novella (its lyrical fervour and passion penetrating even the dreadful English translation by George Reavey) proposes a striking combination of themes and emotional states while offering plenty of openings for the "interfering" power of music in opera. In the book, the central dramatic contrast—the Pasternak character's loss of youth loosely paralleled with the simultaneous violent revolutionary modernisation of Russia itself—is viewed in flashback. Raine, whose elegantly turned, cleanly crystallised text (published by Faber) is a pleasure to read on its own account, has added an important reflective substratum to the events by making Pasternak himself a character in the opera, one who opens and closes it with the same bitingly ironic seven-verse song. The extra layers of detached consciousness provided by Raine's characteristic imagery, and the additional impingement of Pasternak's own tragic fate on the narrative, make for a dramatic vehicle at once dense, rich, and surely structured.

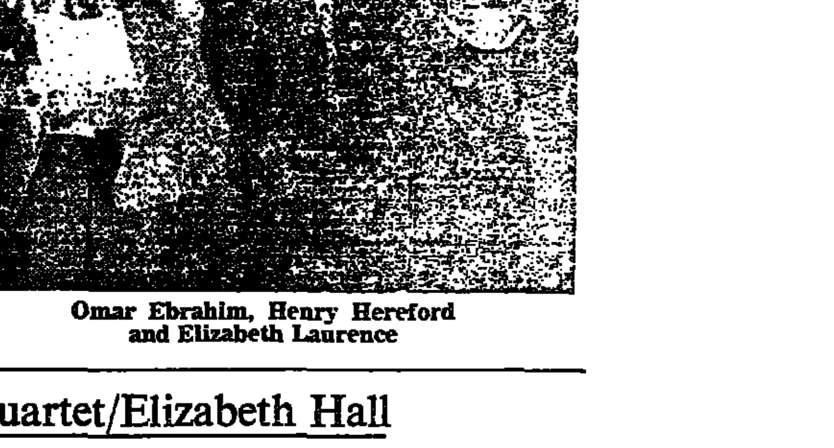
At fleeting moments throughout the two acts and two hours' duration, one begins to glimpse in the music a response to the libretto that can properly be called theatrical. Osborne's score, moving distinctively in a "near-tonal" atonal idiom, is carefully and densely worked, seldom thick or aimless in the manner of too many postwar operas. (Not every word is audible.) A tape provides atmospheric background presence and a kind of dramatic "frame." There are references to the Russian music of the period (such as the "futurist" sounds and rhythms of Prokofiev and Mossolov in Pasternak's song, or the gentle *Firebird* flutter and delicacy of texture in moments of sensual rapture): they encourage, in the songs with which the text is studded, a richness of colour complemented by Osborne's fastidious, subtly characterised and differentiated vocal writing. There is a wonderful short wordless outburst for three women's voices, just before the close of the first act, in which "opera" suddenly becomes more than an abstract proposition.

It is a score of much beauty and sensitivity; but on Monday it seemed to lack, for most of its progress, any continuously convincing theatrical identity. Those graveyards of the inexperienced opera - composer, pacing and variety of incident, claim their victim in painfully static long stretches of Act 1. The dramatic momentum is fitful, haphazard; the basic demands of theatre are mostly failed or incompletely skirted. It's a short opera, but it feels terribly—because aimlessly—long.

How much of this can be blamed on the Glyndebourne presentation is, of course, impossible to determine. In my own mind, however, I am confidently persuaded that the Sellars production is a total disaster, and that the work itself stands no chance of establishment in this form. We are warned in advance that sepia tones and fragrant naturalistic nostalgia were unwanted by all the collaborators; instead Sellars (with his designers George Tsypin and Duna Ramicova) has opted for a style of surreal dislocation, of hard, flat surfaces, significant doorways and window apertures, blank faces, fast-forward-button demeanour, and fancy doings with buckets of water, which screams Modern Art while often more closely resembling an over-ambitious school play. Simple issues of technical competence are placed gravely in doubt; if tacky stage management was also part of the Sellars package, it is the part most successfully achieved.

It would be unfair to paint Sellars—who, after all, comes to Britain with an impressive reputation—as the sole villain of the piece; as Clements indicated, and as the skilful introduction by Paul Driver in this month's Musical Times more fully explains, he enjoyed the wholehearted collaboration of composer and poet. But it is hard to appreciate any advantage in the producer's denial of emotional substance and his determined contradiction of narrative values (the aching slow pace at which the single dialogue scene is taken provides the evening's culminating trial of patience)—and all too easy to reckon up the disadvantages.

The cruel—but, I think, inevitable—conclusion is that the production in its entirety needs to be scrapped, as soon as practically possible. The musical side of the performance is in excellent trim. Elgar Howarth conducts the London Sinfonietta: there is one weakness in the cast, a vocally inadequate mezzo-soprano, but otherwise much fine singing is heard from Omar Ebrahim in the central role, Henry Hereford (as Pasternak), Elizabeth Laurence, Eirian Davies, and above all Anna Steiger as the prostitute Sashka —a difficult assignment delivered with un-selfconscious dignity and warm, lustrous soprano tone.



Omar Ebrahim, Henry Hereford and Elizabeth Laurence

The Traveller/Leicester Haymarket

Martin Hoyle

Jean-Claude van Itallie based *The Traveller*, enjoying its British premiere at the Leicester Haymarket's Studio, on the experience of the actor Joseph Chaikin. In this play the leading character is Daniel Moses, a busy New York composer whose compartmentalised life can barely fit his old girlfriend in between interviews with foreign journalists and Yo-Yo-Ma at Avery Fisher. At some point during surgery for the inevitable heart attack he suffers an undetected stroke. It slowly emerges that he has lost the use of one side of his body and, more horrifically, that part of the brain where language is stored.

The bulk of the play charts this traveller's struggle towards expression through the nightmarish wall of jibberish that English now resembles when he first comes round, and then through his own recalcitrant mouth and brain that refuse to frame the words he gropes for. The harrowing central role is flanked by figures that seem to belong to a different work. The dialogue for loyal girlfriend Aaron (*some symbolism here?*) and the prosaic elder brother, affectionate yet resentful, lapses into domestic drama of a disappointingly conventional type, not least when she explains the two brothers' pattern of closeness and rejection: "It's a love ritual. At least it's classic S and M."

The play's construction is problematic. In the long first half the hospital staff takes an unsonscionable time to realise that immobile limbs and inarticulate jabbering may signify more than the effects of anaesthetic. As in a pantomime audience, one longs to yell "he's paralysed!" so that they can get on with it. Act Two has nowhere to go but up as we watch Moses hobbling towards coherence through speech therapy (suggested rather than illustrated), traumatic rage and humour.

The work has a shapelessness that might benefit from tightening into a long single act. Keith Boak's production in the semi-round impressively fleshes out Moses' halucinations with swirling black-robed figures, and a dedicated cast with no weak link conveys a medical staff endowed by the brain-struck patient with the characteristics of kangaroos, horses and birds. But the play revolves round Moses, and David Threlfall gratefully seizes a part tailor made for his brand of meticulously detailed physical intensity. The former Smike from *Nicholas Nickleby* can rise to the grotesque aspects of affliction with searing ease. The portrait is completed by countless small details: a little grin of triumph when he grasps the point or manages a coherent word; turning away for a deliberate, delicate round-lipped cough, a moment of self-absorbed concentration in the middle of a screaming tantrum, which one notices in very young babies. Fine support from Morag Hood (Aaron), Ben Roberts (the brother) and Diana Kent (therapist).

The Traveller can be seen at London's Almeida Theatre in December. This week the play's inspiration, Joseph Chaikin, arrives, also from Leicester, at the Royal Court's Theatre Upstairs. From Thursday to Saturday he reads excerpts from Ted Hughes' adaptation of Seneca's *Oedipus* and *The War in Heaven*, a monologue specially written for him by Sam Shepard. Like the drama's hero Mr Chaikin suffered dysphasia—inability to speak or recognise the spoken word — after a stroke. He has re-learnt fundamental speech, and his manner is both deliberate and throwaway. In Seneca's characteristically *bloody* imagery or in Shepard's wry, yearning piece for a captive angel, one is aware of both the physical effort, almost contemptuously surmounted, and the spirit that infuses it.

LPO/Festival Hall

Andrew Clements

The London Philharmonic's 1987-88 season could hardly have started less auspiciously than with the sad news of the resignation of Klaus Tennstedt as the orchestra's musical director in August, leaving a hole in its planning that it has already been admitted will be hard to fill. Yet Monday night's concert under the young Austrian conductor Franz Welser-Moest signalled that there had been no diminution in the orchestra's morale; it was in every way a distinguished and memorable occasion, a marker for future prosperity.

Finding the right musical context for Beethoven's C major Mass Op.86 is never easy. It has acquired something of *the reputation of a makeweight* work (though only, one suspects, by comparison with the *Missa Solemnis* and hence not sufficiently attractive to form the main focus of a concert. Welser-Moest's answer was to pair it with a Bruckner symphony, the Sixth, producing a substantial and well-balanced programme. It was also one that *avoided all sense of stodgy* monumentality: Welser-Moest was careful to keep choral textures light and rhythms buoyant in the mass, allowing the contributions of the solo quartet — a selfless grouping of Gunnel Bohman, Christine Cairns, Keith Lewis and Alfred Muff — to be unselfconsciously integrated with the chorus (the LPO's own). There was no attempt to evoke the spectre of later, 19th-century choral offerings; the work moved as litheiy and lucidly as any Haydn mass.

In the most protean and athletic of all Bruckner *symphonies too Welser-Moest* avoided rhetorical point-making, at pains always to keep the music moving forward. Only occasionally did the speed of the performance outstrip the pace of the musical thought—the opening paragraphs of the slow movement could have been presented more broadly and so drawn more expressive weight from the aching chromaticisms of their oboe solo, though the interweaving of string lines later in the movement was most fluidly and eloquently moulded. Scherzo and Finale were both launched with easy, convincing grandeur, and the network of tempo changes in the latter was assuredly negotiated. The first movement had similarly been assembled with an *unfaltering* symphonic sense; the unambiguous thematic statements carried a thrilling definition, Bruckner's transmutation of Wagnerian forest murmurs made transparently alive.

Borodin Quartet/Elizabeth Hall

Dominic Gill

The Borodin String Quartet are one of the world's great quartets: although to tell the truth their performance on Monday of their namesake's second quartet in D major—the recital was the first of three the Russian ensemble are giving on the South Bank this month—never quite matched the extraordinary level of excellence we have noted on previous visits. It was of uncommon distinction nonetheless; how gripping a Borodin performance can be, even a few degrees short of perfection.

Borodin's D major was the first work of the evening, and suffered marginally perhaps from its placing: by the time the ensemble had reached the opening bars of Shostakovich's quartet no. 8, the manner was thoroughly played in and relaxed, and had lost any traces of edginess. The sound, in whatever circumstances, is unfailingly beautiful: a paradoxical blend, ideally homogenious, of four wholly distinct and contrasting instrumental voices. Their *senza vibrato* sonority especially, used sparingly and to unerring point, is a miracle wherever it occurs. I loved their sombre colouring of the Shostakovich, and the dramatic weight they gave to the darkest currents of the music—the forlorn and desolate landscape of the two final largos was vibrant with menace.

By the end of the evening the Borodin were evidently tired (jet-lag and punishing international schedules inevitably sometimes take their toll). One will rarely hear an account of Chaikovsky's D major quartet more exquisitely turned (they are playing the other two Chaikovsky quartets in their two other recitals)—but I have heard the Borodin themselves give it with more buoyancy, and paint its colours still more vividly. By the time of their second programme next Sunday afternoon they should be properly rested, and back on high-voltage form. Their recitals form part of a short "Festival of Russian Music," which also embraces two appearances of the Leningrad Philharmonic under Mariss Jansons.

Arts Guide

October 2–8

Exhibitions

LONDON

The Tate Gallery. Turner in the new Clore Gallery: The Turner Bequest, which amounts to nearly 300 oil paintings, finished and unfinished, and a further 19,000 or so watercolours and drawings, has been a source of controversy and dissension ever since it came into the nation's hands more than 130 years ago. Turner had always wished for a gallery to himself which would show all aspects of his work. Whether he would have approved of James Stirling's extension to the Tate as a suitable setting is a nice question. The larger paintings may be hung too low for one who lived in a more ostentatious age, and the tasteful oatmeal Stirling has decreed for the principal galleries is a far cry from the rich plum he is known to have preferred. The vulgar neo-deco of the entrance hall has little to recommend it. But eight rooms for paintings and one for watercolours give room enough, and with the three reserve galleries upstairs, every painting but the few in restoration or on loan is on the wall.

PARIS

Bibliotheque Nationale: Fine Prints in France from the 16th to the 19th Century. More than 200 impressions *of exceptional quality from the print* department of the Bibliothèque Nationale show the infinite possibilities of artistic expression through varied techniques of printmaking. The panorama ranges from early engravings showing strong Flemish, German and Italian influence to the majestic Grand Siècle style under Louis XIV, from Boucher's pastel-hued *sujects galants* to the modernity of Toulouse-Lautrec and the striking colours of Bonnard. Bibliothèque Nationale, Galerie Mansart, 58 rue Richelieu. Ends Nov 2.

Fragonard: The Grand Palais is staging the first retrospective of Fragonard in collaboration with the Metropolitan Museum, New York. About 100 paintings and as many drawings celebrate the artist's love of beauty, in which he saw a manifestation of "nature's perfect health". The depth of observation in his Roman landscapes, mythological scenes and portraits counterbalances the decorative facility of the Scenes Galantes so typical of the 18th century. Grand Palais. Ends Jan 4.

Artcurial presents a panorama of 12 years of its activities in favour of contemporary art as a gallery, a library and as an editor of "multiple originals" of statues and jewels, contemporary furniture, Sonia Delaunay's personal dinner plates and a 1930 carpet. The gallery's exhibitions have tried to present the image of the 20th century. Sonia Delaunay was followed by Giorgio de Chirico, Zadkine's retrospective by Man Ray photographs. There was sculpture by Chadwick and the art of the poster by Matisse. All culminated in a homage to the late President Pompidou – like Artcurial a lover of the avant-garde. Artcurial, 9 Ave Matignon (4299 1616). Ends Nov 14.

WEST GERMANY

Bonn, Rheinisches Landesmuseum, Colmantastraße 14–16: Sculpture from the German Democratic Republic (East Germany). A result of the cultural agreement of May 1986 between East and West Germany, this exhibition includes 130 sculptures, some of them larger than life, and about 60 paintings of sculptures by 51 artists, and covers four decades. It offers a view of graphic works that have not even been seen in East Germany before. Among the artists are Gustav Seitz, Fritz Cremer, Werner Stotzer, Hermann Glockner, Waldeman and Sabine Grzimek, Ingeborg Hunzinger and Franziska Lobeck. The show will be in Bonn until October 18 and then to Munich (Staatsgalerie moderner Kunst, Nov 5–Jan 3) and Mannheim (Stadtische Kunsthalle, Jan 23–Feb 21).

ITALY

Rome: Two exhibitions which opened to coincide with the World Athletics Championships in Rome. The first, (until November 15), Athla and Athletics in Classical Greece at the Palazzo dei Conservatori at the Campidoglio recounts the religious origins of this sport in Greece and includes a handful of fine statues (including the extraordinarily modern discobolus of Castel Porziano) and vases, while the second, at the Museo della Civilta Romana (Piazza G Agnelli 10, Eur-Rome), entitled Sport in Antiquity recounts how the games gradually became an amusement for the masses and a means of self-advertisement for emperors. The museum in which it is housed is little-publicised and full of fascinating objects (Roman surgeons' and obstretricians' tools, weights and meansures and scale models of bridges, viaducts etc.). Ends October 25.

Saleroom/Antony Thorncroft

Cheap money

This is coin week in London and the most important auction is of the "Gallia" collection of gold coins at Christie's. This was formed in the first half of this century by a French family and is the finest group of French gold coins in private hands. It covers the period from St Louis, in the late 13th century, to the 1789 Revolution.

The sale got off to an encouraging start yesterday afternoon with a Couronne d'or of *Philippe VI of Valois beating* its top estimate at £38,500. A Petit royal debout of Philippe IV, the Bel, was well above forecast at £18,700, and a Florin Georges of Philippe VI was on target at £12,000.

The morning coin sale had produced a total of £298,529, with 13 per cent unsold, suggesting that this is still a rather underpriced market. A gold coin from Egypt, carrying the portrait of Ptolemy V, sold to Rare Coins for £16,500, twice the estimate, while a gold medallion of 2 solidi, of Constantius II (AD 337-361), made £13,200 to another dealer, Roberts.

The dealers were out in force, stocking up for the Coinex Fair at the Marriott Hotel which opens tomorrow. Baldwin paid £12,650 for an aureus of Numerian (AD 283-284), an obscure Roman emperor, and Rare Coins acquired an aureus of Julia Domna, wife of the Emperor Septimus Severus, for £8,800, double the estimate.

Glendinings was auctioning the collection of Anglo Saxon coins gathered by apple grower Gordon Dobleday. The top price was the £4,950 paid by Spink for a coin of Aethelred II, from the Caistor mint. Only four coins are known from this mint.

Phillips was also selling furniture. The top price was the £17,600 paid for a William and Mary japanned cabinet. A George III satinwood and inlaid sofa table trebled its estimate at £14,300. There was a tribal art auction at Christies' South Kensington which produced a successful bid of £2,090 for a Marquesas wood paddle club.

Gala "Follies" for Tricycle Appeal

A special gala performance of *Follies*, at the Shaftesbury Theatre, will be held on November 26, Thanksgiving Day, to raise money for the Tricycle Theatre Building Appeal. The Tricycle, the successful Kilburn theatre which has pioneered new black writing, was burned down earlier this year.

It has taken over the hit musical *Follies* for one night and, from the venture, hopes to raise around £50,000 towards its £150,000 renovation target.

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Financing the Community

THE FAILURE by the European Community's Council of Ministers to set a budget for 1988 is not as disastrous a development as would appear at first sight. The threat by the Commission that it will take the member states to the European Court of Justice for their "dereliction of duty" has added a touch of drama to the proceedings. But the fact is that the Community has ben in a state of financial crisis for most of this decade. It has survived for limited periods before thanks to an emergency system of financing and the latest cash crisis at least has the advantage of concentrating minds on the long-term problems to be solved.

That, certainly, was the objective of Sir Geoffrey Howe, the Foreign Secretary, when he refused to accept any increase in funding in excess of the present legal limit of Ecu 35.3bn (£24.7bn) until the inflated spending on the common agricultural policy has been brought under control. The Spaniards, too, had the future financing system in mind in deciding to block the draft budget because it did not provide sufficient funds for social and regional policies. The disagreements over next year's budget have therefore underlined once again the urgency of reaching a decision on a new Community financing system at the next European summit in Copenhagen in December.

In the first instance, as all member states now accept at least in principle, this means keeping a tight rein on agricultural expenditure as part of a binding system of budgetary discipline. The emphasis is on the word "binding." The reason why the present system of budgetary disciplines agreed by the European Council in Fontainebleau in 1984 has failed dismally is because it lacks the element of legal constraint.

Agricultural support

As Mr Henning Christophersen, the EC's Budget Commissioner, pointed out in recent evidence to a House of Lords Select Committee, the guidelines for farm expenditure have disciplined the figures in the budget, but not actual spending. The result has been that spending on agriculture has continued to spiral completely out of control to Ecu 27bn, some two-thirds of the Commission's total draft budget of Ecu 41bn for 1988.

The Delors proposals, named after the Commission President, are intended to remedy this situation. Existing regulations governing agricultural support would be amended to include so-called "agricultural stabilisers" which would ensure that expendtiure would be kept within the sums allocated

However, more important than the details of the proposed system is that it should lead to the elimination of the huge agricultural surpluses accumulated by the Community through its price support mechanism. Intervention buying must be restored to its proper "safety-net" role

Rebate mechanism

This objective will not be achieved without some concessions of the part of the UK. The Government was right to stand firm on the 1988 budget to force a decision at the end of the year on the infinitely more important issue of long-term Community financing and agricultural reform. It is clear, however, that the equally important objective of the completion of the internal market will not be achieved unless the demands of the poorer members of the Community for greater social and regional spending are satisfied at the same time.

Nor would it be reasonable for the Government to stick too rigidly to the British rebate mechanism agreed in Fontainebleau once a comprehensive new Community financing system has been agreed. It should be possible to achieve the more equitable sharing of the financial burden between the member states, which Britain has always sought, within a GNP-based resource system of the kind proposed by the Commission.

If, at present, the UK and the Commission are still at odds over estimates of Britain's contribution under such a new system in the short term, that does not mean that ways and means cannot be found to make it work in practice to everybody's satisfaction. Certainly, the principle of the GNP-based resource system should be welcomed as representing a fairer method of calculating national contributions than the present mechanism.

Glass-Steagall under fire

MR ALAN GREENSPAN, the new chairman of the US Federal Reserve Board, has never made any secret of his desire to see further and faster liberalisation in the American banking system. For its part, the Congress remains as determined as ever to prevent commercial banks from making a full-scale incursion into the securities business. A repeal of the Glass-Steagall Act, which maintains a firm dividing line between banking and securities activity, is thus not on the cards in the immediate or foreseeable future. Why, then, did Mr Greenspan indicate in Congressional testimony this week that the Fed is working on proposals to replace a law that has commanded unswerving support from a majority of politicians since the 1930s?

Commercial paper

The short answer must be that Mr Greenspan knows that the political opposition to regulatory reform will ultimately crumble under the weight of market forces. Already in the United States much of the task of short term financial intermediation—the matching of depositors' money with the loan requirements of industry and commerce — has disappeared from the banking system to be undertaken by the commercial paper market. In the international financial system the weakness of bank balance sheets has caused bankers to develop myriad forms of tradeable paper which do not appear on the face of the balance sheet. If the Glass-Steagall Act continues to operate in its present form, it will ensure that more and more banking business is driven out of the United States into the Euromarkets. Commercial bankers will find themselves conceding more revenues to those who work in the securities markets.

In the meantime the courts have been busily eroding the strict division between banking and securities on a piecemeal basis—as indeed they have been doing with the laws that inhibit inter-state banking in the United States. The problem is to persuade Congress that it is defending an untenable position for reasons that are only partially valid.

At present, the balance of political forces does not favour rapid change. For while there are several thousand banks in the United States, only a handful of big money centre banks suffer heavily from the continuing impact of Glass-Steagall. In contrast the regional banks fear that the abolition of the dividing line between banking and securities could also see a parallel removal of the remaining restrictions on inter-state banking. This would leave them vulnerable to competition from the predatory giants from New York. They therefore tend to side with the securities industry and the insurance lobby in opposing change.

British parallel

In those circumstances the most that a central banker can do is to change the climate of opinion by providing some reassurance that prudential supervision is able to cope with the consequences of de-regulation.

Having abolished the last vestiges of their own equivalent of Glass-Steagall, the British offer an interesting parallel. And they have concluded that simply putting banking and securities into separately incorporated subsidiaries, or imposing separate capital requirements for different parts of the business, are not in themselves enough to prevent contamination within the group if anything goes wrong. Banks will usually want to stand behind ailing securities subsidiaries; and the problems of the securities subsidiary may anyway lead to a run on the bank.

In the final analysis the supervisor has to look at a financial conglomerate on a consolidated basis—no easy matter when the regulatory structure continues to observe the remnants of a Glass-Steagall divide after the financial structure has been allowed to change. The politics in Britain, on the other hand, are less problematic, not least because deposit insurance is restricted to 75 per cent of the value of deposits up to a ceiling of £20,000, compared with 100 per cent insurance on larger sums in the US. But at least the problems in Britain are broadly understood. For Mr Greenspan it will remain an uphill struggle for some time to come.

MAJOR PRIVATISATIONS IN FRANCE TO DATE

• Company	St Gobain	Paribas	Credit Commercial de France	Compagnie Generale D'Electricite	Havas	Societe Generale	TF1	Suez
• Date of privatisation	Nov 1986	Jan 1987	April 1987	May 1987	May 1987	June 1987	June 1987	Oct 1987
• Market capitalisation at time of flotation	F.Fr 13.5bn	F.Fr 17.5bn	F.Fr 4.4bn	F.Fr 20.6bn	F.Fr 6.4bn	F.Fr 21.5bn	F.Fr 3.5bn	F.Fr 20bn
• Individual subscribers in French public offer	1.54m	3.81m	1.65m	2.24m	730,000	2.3m	416,000	n.a.
• Main core shareholders	BNP 7.5% Suez 3.9%	Total 3% UAP 3%	CGE 4.5% MGF 3.8% Lafarge Coppee 3.9%	Societe Generale 6.9% UAP 2.9% Generale des Eaux 2.9%	Societe Generale 4% Lyonnaise des Eaux 4% Paribas 4%	AGF 2% CGE 2% GAN 2% Rhone-Poulenc 2%	Bouygues 25%	Elf Aquitaine 3.5% Exor 3% St. Gobain 3.5% Pernod-Ricard 3%
• Price at issue	F.Fr 310	F.Fr 405	F.Fr 107	F.Fr 290	F.Fr 500	F.Fr 407	F.Fr 165	F.Fr 317
• Price today	F.Fr 501	F.Fr 426	F.Fr 128.20	F.Fr 316	F.Fr 532	F.Fr 417	F.Fr 200	n.a.

French privatisations

Surface tensions

By Ian Davidson

AFTER A disorderly succession of minor skirmishes at the end of the summer holidays, the French pre-election political season is moving into a phase of sharper conflict, with the Socialists mounting a more intense series of attacks on the Government.

Until a week or so ago, the political headlines tended to be dominated by moderately sensationalist controversies (depending on one's point of view), but the sensations were at least as much personal as political.

Mr Michel Polac, the professional TV chat-show controversialist, finally went too far and got himself fired for insulting his employer as well as the right wing establishment and the national broadcasting authority. And Mr Jean-Marie Le Pen, the leader of the ultra-right National Front party, seriously embarrassed some of his followers by publicly suggesting that the gas chambers used by the Nazis to exterminate millions of Jews were no more than "a detail" of the Second World War.

What has changed in the past week or so, is that the Socialists have seized the headlines with a series of withering attacks on the Government's programme for selling nationalised companies. These attacks reached their peak in a violent and melodramatic speech to a Socialist Party conference in Strasbourg last week by Mr Pierre Joxe, a former Socialist Interior Minister.

In principle, the Government's privatisation programme is a logical target for political attack by the opposition, since it epitomises the left-right antagonism in recent French economic history.

When the Socialists came to power in 1981, after 23 years in the wilderness, they rushed headlong into the nationalisation of banks and industrial companies; when the centre-right returned to power 18 months ago, they immediately reversed the process, and in addition embarked on the denationalisation of banks and (soon) insurance companies taken over under De Gaulle.

Yet the striking fact about the Socialist attacks on the privatisation programme is that their central thrust is based not on political ideology, but on public morality; the main complaints are not about the fact of privatisation, but about the way it is being done.

There are two good tactical reasons for this political reticence: the first is that many Socialist politicians recognise that the world and French public opinion have moved on since 1981, and the second is that the party has difficulty in fixing a firm political line on this or any other until it knows for sure whether Francois Mitterrand will stand for re-election in next spring's presidential election.

These attacks mainly centre on the groups of institutional shareholders, the so-called "*noyaux durs*" or hard-core, selected by the Finance Ministry to hold a significant minority of a privatised company's shares, so as to protect it from hostile take-over bids during a transitional period.

There is a subsidiary opposition complaint, that nationalised companies have been sold too cheaply. But the main burden of their accusation is that the system of *noyaux durs* has been used by the Government to bestow financial favours on its political friends.

At first Mr Edouard Balladur, the Finance Minister, treated these accusations with disdain. But the attacks became so intense that he found himself obliged, first, to issue a large dossier aimed at a detailed rebuttal, second to offer a debate in the National Assembly, and third to counter-attack by announcing a substantial acceleration of the privatisation programme during the six months remaining before the presidential election.

Future privatisations

- **Matra** Nov 1987
- **Union des Assurances de Paris** Dec 1987
- **Assurances Generales de France** Jan 1988
- **Banque Nationale de Paris or Credit Lyonnais** Feb 1988
- **Rhone-Poulenc or Pechiney** March 1988

What has given the controversy additional spice is that the Socialist accusations, which are directed explicitly against the dominant Gaullist wing of the government coalition, have been echoed, (much more discreetly of course), by some of the members of its UDF wing, notably among supporters of Mr Raymond Barre, the leading conservative candidate for the presidency.

Of course, the Barrist criticisms do not go nearly as far as those of the Socialists. Ostensibly, they do not contest the need for *noyaux durs* to protect newly privatised companies from foreign raiders, even if the procedure is scarcely consistent with their faith in the free market; more important politically, is the need to appease atavistic French protectionist fears of foreigners.

But they do argue that the selection of these hard-core institutional shareholders should have been made by an independent commission, and not by the Minister of Finance

Meanwhile the Socialists are unsure how to respond to this uncovenanted support from the Barrists. On the one hand, it has probably helped to give their accusations greater public prominence; on the other, it is uncomfortable for them to appear to be in the same camp as the man who would be Francois Mitterrand's most formidable electoral rival.

Whether the controversy can be kept alive until the elections, and the charge of political graft sustained with a minimum degree of political plausibility for the next six months, seems hard to credit.

For the moment the Socialists have tapped into a rich stream: their problem is to know how to keep it flowing.

The curious thing about the controversy is that it casts a very French and a anachronistic light on the otherwise dramatic implications of the privatisation programme.

This is, after all, a very far-reaching programme which ought logically to have profound consequences for the nature of the French economy and the attitudes of French businessmen. These consequences are also a reflectioin of a broader reality, which is that France is one modest part of the global trading system, not a self-sufficient heir to Colbertism and *le plan*.

Yet the implication of the system of *noyaux durs* is that the Government feels politically bound to retain, or at least to seek, some form of nationalist bulwark against the outside world. The implication of the opposition attacks is that privatisation would be more acceptable if more of the bulwarks were manned by Socialists.

The reality is probably a combination of contradictions: the world economy and the French economy are both changing rather quickly, but the attitudes and reflexes of French politicians are lagging some way behind.

In the privacy of the Minister's office

MR EDOUARD Balladur has been badly bruised by the growing polemic over his conduct of the privatisation programme. For a man who has cultivated the aura of the dispassionate administrator above the political hurly-burly, the accusation that he has used the state sell-offs to favour his political cronies has been hurtful.

While all but the purest of free marketeers accept the existence of the "hard cores" of friendly shareholders which are at the centre of the brouhaha, and while the Socialists would have been the first to complain if Mr Balladur had left a privatised company vulnerable to a foreign takeover, the Finance Minister has laid himself open to criticism by taking responsibility for the selection of the investors.

The criticism of a lack of probity in the choice of shareholders is the more cutting because of the clarity which governs the rest of the privatisation process.

Unlike other countries, France has passed a framework of regulations covering every step of a privatisation, from the amount of capital which must be sold to employees and the preferential rights of individual small investors, to the factors which must be taken into account in deciding on the price of the company.

It is the existence of this framework which enabled the Finance Ministry to push 10 companies through the privatisation mill in only eight months.

In contrast, the selection in the privacy of the Minister's office of 73 French and foreign companies to control FFr 16bn (£1.6bn) of capital in some of the nation's key companies has seemed less than transparent.

Charges against Mr Balladur appear to be somewhat exaggerated. As for the allegation of political bias, it would scarcely be surprising if the heads of a sample of companies with the odd FFr 500m to invest turned out to be largely right wing in their political preferences.

And so far, the Finance Ministry claims, only three of those who have actually applied for the hard cores have been rejected. One of the three, an insurance offshoot of the Lazards merchant banking group, can hardly be seen as an enemy of the Government or of the privatisation programme, since it has handled a considerable number of the programme's flotations.

Five groups have received allotments in three hard cores; all are major insurance companies or pension funds, the size of whose equity portfolios means that they would probably have bought into these companies in any case.

To these must be added the core shareholders of St Gobain and Compagnie Generale d'Electricite, who resulted from the dissolution of a holding company jointly owned by the French state sector banks, rather than from Mr Balladur's selection.

These two groups, which have both taken stakes in the hard cores of other privatised companies, do somewhat reinforce the impression that the commanding heights of the French economy have been put in the hands of a small group of men. The appearance has not been improved by the conduct of some of the newly privatised companies.

The telecommunications and heavy engineering group CGE, for example, provoked controversy by using a large portion of the fresh capital it had raised at the time of its flotation to buy out Sir James Goldsmith's controlling stake in Generale Occidentale, and instal in his place Mr Ambroise Roux, CGE's chairman before its nationalisation in 1982, and one of the eminences grises of the right.

The secretive transaction let CGE into the realms of political and press influence through Generale Occidentale's control of the Express and Presses de la Cite groups.

Perhaps even more tactless was the new board chosen by the advertising group Havas within a few weeks of its privatisation, from the overtly political, like Mr Jerome Monod, president of Lyonnaise des Eaux, to friends of the Government like Mr Michel Francois-Poncet, chairman of Paribas.

The Minister's response to these attacks has been to step up the pace of the denationalisation programme. To follow the investment banking group Suez, earlier this week, and Matra, the electronics company, next month, he has announced the flotation of Union des Assurances de Paris, Assurances Generales de France, one commercial bank and one industrial group by the end of March next year.

He has left himself the escape clause that these privatisations will go ahead only if market conditions permit. Yet the mere threat of the four companies, with a combined market capitalisation that could top FFr 90bn, coming to the market has already sent shivers through some fund managers, who fear that they could take the edge off the appetite so far displayed for privatisation shares.

The first major test of the market's response will come next week, when the Suez offer for sale closes.

By George Graham

Men and Matters

Bohemians in retreat

One of America's most exclusive male retreats, the Bohemian Club, whose members include President Reagan and Vice-President George Bush, has been forced to open its doors to women.

For the past 114 years American males from the arts, business and politics have gathered every summer at the secluded 2,500-acre site near San Francisco to take part in skits, musical performance and nude bathing.

All was serene and masculine until eight years ago when the State of California filed suit against the club, alleging that its ban on hiring women violated state laws against job bias. Last November, the Bohemians appealed against a California court ruling and took the case to the US Supreme Court.

This week in Washington, the Supreme Court threw out the challenge, despite the club's arguments that the presence of women would "inhibit" male members and violate their constitutional rights to privacy and freedom of association.

Two other members of President Reagan's Cabinet—George Shultz, Secretary of State, and Caspar Weinberger—are fellow Bohemians likely to be disappointed by the court ruling, one of several recent legal reverses for male clubs around the US.

It should, perhaps, be recorded, that one judge who did not take part in the ruling against the Bohemians was Sandra Day O'Connor, the first woman appointed to the Supreme Court in 1981 by President Reagan.

Tories mugged

Tories at their annual conference in Blackpool are being offered the chance to take home a little piece of Margaret Thatcher at £85 a time.

Leaflets distributed to Conservative representatives advertise memorial trophy china cups which bear the face of their beloved leader.

Her profile portrait looks remarkably similar to that of the Queen printed on postage stamps.

Made by Royal Crown Derby, the product is called the "Margaret Thatcher Loving cup."

A strictly limited edition of 650 of them, one for each parliamentary constituency, is available "in celebration of Mrs Thatcher's historic third successive election victory."

Each cup is made of finest bone china decorated with cobalt blue and burnished 22 carat gold.

Panels beneath the two handles bear the initials MHT Margaret Hilda Thatcher.

I conducted a small sample poll about this innovation with one delegate, Cole Mason, from Hammersmith, said of the memento: "I think it's disgusting."

"Apparently, he made rude remarks about the poll tax proposals."

Red faces

A nursery outbreak of mumps has hit the macho trading floor men of the Chicago mercantile exchange, where disease spreads easily amid the melee of shouting traders in the pits.

More than 40 cases have been reported at the Merc in the last two weeks. Spokesman Andrew Yemma says: "It's hard to stop it from spreading because of all the yelling and everybody using the same telephones."

A few traders have tried wearing face masks in order to avoid contracting the disease. But they have abandoned the precaution because bawling a bid is almost impossible from behind a mask.

The disease is believed to have originated from the pit where Eurodollar futures are traded—but the market has not so far taken a view about the significance of that.

Yemma says the 40 reported cases is a small number compared with the Merc's trading population of about 4,000 people.

New growth

Lawrence Banks, head of corporate finance for Robert Fleming, has just planted a sprig of that most British of institutions, the Royal Horticultural Society in Japan.

Gardener, dendrologist (student of trees) and treasurer of the RHS, which runs the annual Chelsea Flower Show, Banks has signed an agreement in Tokyo to establish the first overseas branch of the RHS.

"It made an interesting change from selling Euro-tunnel to the Japanese which is what I was doing on my last visit," he told me yesterday, when I caught up with him in Seoul, South Korea.

Banks hopes the first fruits of the new venture in co-operation with Seiyo Corporation, a subsidiary of the giant Seibu retailing group, will be some Japanese additions to the Society's current 100,000 membership list. But more extensive trading links could follow this promotion of British horticulture.

The RHS makes a profit of some £500,000-£600,000 a year from the sale of plants, books and other products at its Wisley centre. Plans are being considered for selling some of these items in Japan through Seibu.

Another party

"Absolutely everyone" was at The Independent's first birthday party at the headquarters of the Honourable Artillery Company on Monday night. There was Norman Willis of the TUC, Lord Young of the DTI and John Birt of the BBC. Everybody, that is, apart from many of the journalists who have had a small part in making the paper such a success.

After putting marriages at risk because of the long hours involved in launching a new newspaper, journalists were not amused to be told spouses could not come.

Another party was hastily organised in a wine bar down the road.

Founder and editor, Andreas Whittam Smith, contacted momentarily amid the throng conceded there was an alternative party before plunging into conversation with the past and prospective leader of other alternative parties—Dr David Owen.

Soft and hard

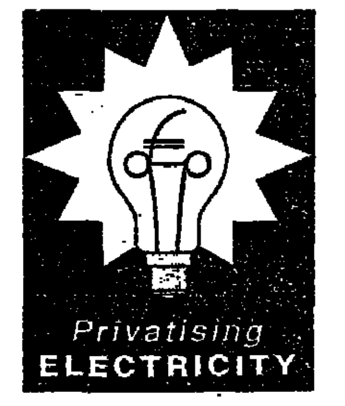
There are two types of bank manager.

There is the kind, compassionate, helpful type—and there is your own.

Observer

By Colin Robinson

This time, break the monopoly



PRIVATISATION IS *getting a* bad name. That is hardly surprising since recent privatisation schemes have concentrated on the transfer of ownership from state to private hands, making only token gestures in the direction of *competition*. Though private ownership is often a necessary condition for improved industry performance, it is by no means sufficient, as the rising volume of complaints from customers of British Telecom and British Gas testifies. Introducing competition into markets now dominated by monopolies is essential if there are to be efficiency gains which are passed on to consumers. Otherwise, instead of big unresponsive state corporations, there will be big unresponsive private corporations. Little else will have changed.

Electricity privatisation represents an opportunity to bring benefits to a whole nation of electricity consumers. *Instead*, the Government is in danger of taking far too much notice of the employees of the industry (who number only 147,000) as it did in its illiberal privatisation of British Gas. Naturally enough, every nationalised corporation now wants British Gas style privatisation so that its managers enjoy higher salaries and freedom *from political* interference without being troubled by competition. However, only if that competition appears will there be substantial benefits for the community as a whole.

The essential feature of electricity privatisation is that the industry should be split into three parts. Generation, by far the largest part (about 70 per cent of costs), should be opened up to competition. Long distance transmission and local distribution which have "natural monopoly" elements would need to be regulated. Regulation is an unsatisfactory business, as US experience shows. However, nationalisation is just a different form of regulation under which there is arm-twisting of industry managers by politicians and civil servants instead of American-style public hearings. An advantage of introducing competition into generation is that existing regulation of the *whole* electricity supply industry would be replaced by more open regulation of only transmission and distribution.

Resistance to the introduction of competition is natural enough. Managers have operated with considerable technical efficiency despite the odd structure of the industry and the vast amount of government coercion to which they have been subject. They have been forced to support the British coal industry and British generating plant manufacturers and they have been stopped from taking sensible measures which would simultaneously have reduced costs, diversified fuel supplies and protected the environment (such as burning natural gas). But technical efficiency is not the same as economic efficiency.

Take "merit order" operation as an example. Operating a system of power stations in order of short run avoidable cost (mainly fuel), so that stations with the lowest avoidable costs function for the longest periods, is apparently a means of minimising system costs in the short run. It is, however, false to conclude that because the Central Electricity Generating Board (CEGB) has a merit order it is minimising costs. Underlying the merit order is a monopolised industry, the costs of which are substantially higher than they would be under competition. The merit order merely minimises system costs, given individual power station costs and the mix of power stations, both of which have been determined in monopolistic conditions. Fuel costs (two thirds of CEGB operating costs) are largely a result of a price agreement protecting British Coal which would not exist in competitive conditions. Labour costs (another 14 per cent of operating costs) are a function of agreements with unions whose substantial monopoly power derives partly from the industry's strong position in the energy market.

Capital costs, too, are most likely excessive. The present mix of power stations, their location and the capital incurred in building them all result from decisions taken in non-competitive conditions. Because of the industry's market power, management and unions know that virtually any costs they incur can be passed on to consumers.

Privatising the supply industry as a whole would do nothing to deal with the problems described above. Such downward pressures on costs as existed (arising, for example, from competition in some areas with the private gas monopoly) would remain as weak as they are now.

The privatised monolith has such obvious failings that, hopefully, it is unlikely to find another place in the privatisation programme. But some other proposals for electricity are little better. One idea is to privatise generation as one organisation and transmission/distribution as another. Since no competition would be introduced into generation, there would be nothing in this scheme for consumers. *But there would be an* unnecessary and extremely difficult task for the regulators in supervising the whole industry instead of just transmission and distribution.

Another idea is to privatise the CEGB in its entirety but to permit private companies to compete in building and operating *new generating* capacity. Given the advantages of the incumbent, such as the ability to cross-subsidise, if such a scheme were to work the CEGB would have to be prohibited from entering the competition so that the *Board eventually* withered away. An independent transmission network would also be needed to which private generators would have access. Even in such circumstances, however, the long time-lags in planning and constructing new power stations would probably mean that by the early years of the next century at least 90 per cent of generating capacity in Britain would still be in the hands of the present Generating Boards.

Opponents of a liberal form of privatisation use as their last-ditch argument the supposedly serious problems posed by nuclear power. Because of the low operating costs of nuclear stations, they take precedence in the merit order. Thus the sale proceeds of fossil fuel power stations will be less than if there were no nuclear plants. But the devaluation of fossil fuel plants has already occurred; it is not due to privatisation. Whatever is done, it makes little sense to abstain from efficiency improvements *for the 80 per cent of electricity* which is not nuclear-generated because of past decisions which are now unalterable.

A more genuine problem in liberalising the industry by privatisation is to achieve the *transition to competition* without undue disruption. Rather than thinking of a hundred reasons why competition is unnecessary or impossible, the energies of those responsible would be better spent in trying to devise means of smoothing the transition. It may be, for instance, that the advent of competition could be delayed for a short period after privatisation, provided the government specified to potential investors how and when competition would be introduced.

A statement of intent to liberalise the coal market is also needed: there is unlikely to be much demand for shares in private electricity companies which investors expect to remain dependent on a high-cost coal monopoly. The Government is in a hurry, but if such matters have not been thought through it would be prudent to defer privatisation until they have been given the consideration they deserve.

The author is Professor of Economics at the University of Surrey.

East-west relations are better, but the Berlin wall still divides families, says **David Marsh**

Mrs Stahlbaum's choice

IN A NEAT *ground-floor flat* not far from the Wall in the US sector of west Berlin, Mrs Anneliese Stahlbaum hopes the new tide in superpower relations will one day wash her daughter and grandson through to the West.

Mrs Stahlbaum is a small, quietly-spoken woman of 49 who walks on crutches because of a childhood disability. A jut to her jaw indicates a capacity for both patience and determination.

Her family is one of millions split up by the post-war East-West divide. Many, on both sides of the border, now dare to hope it will become less divisive.

In the wake of the rapprochement between East and West Germany heralded by Mr Erich Honecker's recent visit to the Federal Republic, Mrs Stahlbaum's case will now be an indicator, in its own small way, of whether that hope is justified.

Mrs Stahlbaum was born under the German Reich close to the Baltic coast in Pomerania, now part of Poland. She moved as a nine-year-old just after the war to the territory *of what is now the German* Democratic Republic.

Together with her husband Reinhard, 53, and two of her three children, she left her home in East Germany for west Berlin in February 1984. This *followed a bureaucratic* struggle lasting more than two years with the East Berlin authorities to win permission to emigrate.

Mrs Stahlbaum, a Christian, says she left East Germany above all because her desire for confirmation lessons from the Protestant church for her two younger children was causing them difficulties at school. "The children had no future."

Her elder daughter, Gabriele, who, with her three-year-old son, was living with her own family, stayed behind.

Gabriele none the less applied almost immediately afterwards for permission to emigrate too. Meanwhile, aged 27 and divorced, Gabriele William (her married name) has now been waiting with her son Christian, now almost seven, for nearly 3½ years for an exit permit from the East Berlin authorities. Her ex-husband has, *separately*, also applied to leave.

According to her mother, who has not seen her since quitting the East, but keeps in regular touch by telephone, Gabriele has lost her previous office job in a state pharmaceutical foreign trade agency and now works in a chemist's shop.

Gabriele, who lives in the Prenzlauer Berg district of East Berlin, has also, according to her mother, been summoned three times to the security *police because articles about* her have appeared in a west Berlin newspaper.

It has not been possible to contact Gabriele to check her version of events. Contact with outsiders by East Germans seeking to emigrate is viewed as a serious offence. Her mother stresses that in her telephone calls to her daughter she has never discussed the various efforts she is making to secure her passage to the West.

Telephone calls and a telex message to the *East German* representation in Bonn and the East German Foreign Ministry in East Berlin failed to elicit any news on how Gabriele's case was proceeding.

A *spokesman* at the Foreign Ministry—the normal conduit for foreign journalists seeking information about East Germany—said his Ministry was not the right place to ask about the case, but was unable to suggest any other part of the East German Government which could help.

Discretion is often the key to securing inter-German human rights concessions. In bargaining between East and West, for instance over the "purchase" by West Germany of East German political prisoners (about 2,000 were released last year in this way), publicity is kept to a minimum.

In the case of Gabriele, after nearly three years of waiting for the case to go through the normal channels, Mrs Stahlbaum decided last winter to start demonstrating with a placard at Checkpoint Charlie to draw attention to the case. She has also collected 650 signatures for a petition.

Earlier last month she travelled by bus to the Saarland, the birthplace of Mr Honecker, coinciding with his visit there. One of many whose small pro*tests formed a counterpoint to* the East German leader's tour through the Federal Republic, she says: "I thought I could see him and speak to him." Of course, this proved impossible.

Mrs Stahlbaum has written to Chancellor Kohl and other West German politicians, and even dropped a line to Mr Honecker's 70-year-old sister, Gertrud, who still lives in the Saar.

As for life in west Berlin, she is full of praise for the welcome of the West German authorities, who provided help in finding a flat, a DM 10,000 (£3,344) loan for furniture and social security cash.

In their previous home in Zepernick north of Berlin, the *Stahlbaums left their own house* built 10 years previously, for which they received a mere 2,600 East German Marks (£869) compensation.

Augmented by a disability pension, the family has a comfortable *monthly income of* around DM 3,000. Even Benji, the family dog who crossed over with them, prefers western canine fodder, she says. She now sings twice a week in a west Berlin church choir, takes advantage of free taxis for disabled people (40 journeys a month)—but misses her friends in the church choir she left in the East.

In the thawing of relations under Bonn's conservative-led *government, cross-border travel* has boomed during the past few years. A total of 3.2m East German temporary visits to the West are expected this year. About 1.2m trips are expected to be made by younger people rather than pensioners (who are given more liberal travel treatment) — against only 66,000 such visits two years ago.

But only 6,600 East Germans have been allowed to emigrate permanently in the first eight *months of the year, against* 20,000 last year. As many as 80,000 East Germans are believed to have applied to emigrate.

Mrs Stahlbaum does not rule out that the East German authorities may be holding up her daughter's case to exact "revenge" for the departure of the rest of the family. If the green light one day comes through, Mrs Stahlbaum says the family will stay in West *Berlin rather than move to the* Federal Republic, above all to remain close to elderly relatives still in the East. But she adds: "I never want to see Checkpoint Charlie again."

Mrs Anneliese Stahlbaum, her daughter Kerstin and husband Reinhart

Letters to the Editor

Carrington's successor

From Mr A. Van Veen

Sir,—Your Woerner to succeed Carrington (October 1) article sounds like a Press release from Bonn since none of your staff has taken credit for it.

With Mr Woerner as Secretary-*General* the *two top* positions in Nato would be filled by Germans and along with the dominant economic position Germany has in Europe with polarisation of power will be complete as soon as Margaret Thatcher caves in and joins the EMS. All this does not spell well for the democratic process in Europe.

The present political climate between East and West does not call for a military related defence minister to take charge of *Nato. The post of* Secretary-General is now more than ever a political position as personified by Lord Carrington. Therefore, the other candidate for Nato's top job, Mr Kaare Willoch, the former Prime Minister of Norway, a highly esteemed politician in Scandinavia, a staunch defender of the Atlantic alliance, known for his sharp mind and concise analytic explanations, would be a far more commendable choice to replace Lord *Carrington*.

Bonn's primitive attempt to squeeze Mr Willoch out may have another long-term negative backlash. Mr Willoch's candidacy for this post has the wholehearted backing of both the Labour and Conservative parties in Norway and could very well be a prelude to try one more time for a national referendum on Norwegian membership in the EC (last defeated in 1977). A rejection of Mr Willoch's candidacy or a withdrawal would be a golden opportunity for Norwegian EC opponents to show that Norway would only be a fringe nation within the EC and that this young nation (1905) would surrender political power to Brussels without any chance to participate in this power. The defeat in such an EC referendum would certainly erode political backing for Nato in Norway. Coupled with Russia's charm offensive for detente in Northern Europe a "Finlandised" neutral Scandinavia could very well take root. This would not only affect Norway but all of Europe leaving Nato's northern flank severely impaired.

Mr Willoch is not only the most capable, but also the most logical candidate available as Nato's Secretary-General for the coming years which hopefully through forceful negotiations may create a better political climate Letween East and West.

A Van Veen,
Mining and Construction Services of Scandinavia,
Borggt, 7, Postboks 350,
5401 Stord, Norway.

Timing is important

From Mr A. Shone

Sir, — Speculating on how history will deal with Mr Heath and Mrs Thatcher (David Kavanagh, October 2) is an *interesting subject. Being* nearer in time to the events than the ultimate historians, one does wonder how they would have been seen had their positions been reversed. Timing and being in the right place at the right time is surely as important for a Prime Minister as in other walks of life. Is it not possible that Mr Heath would have met success had he been Prime Minister in 1979 and Mrs Thatcher would have been in difficulties if she had been *Prime Minister in 1970?* The saddest part of the whole saga is that inability to bury past (apparent) differences. Hopefully, this flaw in both their characters will not be missed by historians.

Anthony W. Shone,
1 Rumford Place,
Liverpool.

Deserves to be forgotten

From Mr D. Thompson.

Sir,—Edward Heath (October 2) was arguably our worst Prime Minister since Neville Chamberlain. He forced Britain into the EC on terms so bad that even a Labour government was able to improve on them. He was humiliated by the miners. Worst of all, he drove from the counsels of the Conservative Party and the nation Enoch Powell, the most far sighted and the most maligned British politician since Winston Churchill in the 1930s. He deserves to be forgotten.

David A Thompson,
21 Wood Ride,
Petts Wood, Kent.

Policy towards customers

From Mr F. Knight

Sir,—It was nice to read (September 21) that Mr Checkland is laying about him in the BBC: might I point him in one particular direction.

My wife recently wrote to him, by name as head of the corporation, expressing a concern and requesting a response. The unsigned "bug" letter she got back stated that letters will not be answered, because *lots* of them are received; they will not be *exposed* to their adressees; she will not have any response to her query.

I should be interested to know whether Mr Checkland is comfortable with this approach to his customers — and apparently columns such as yours are the only way to pose him the question.

F. W. Knight,
Coombe House,
Nr Butler's Cross,
Aylesbury, Bucks

Making multiple applications

From Mr T. Ditchfield

Sir,—I would like to have seen Richard Tomkins unravelling a little more on the subject of multiple share applications on October 3.

The intricate policing we have heard of from Ernst & Whinney is, of course, admir*able; but one needs to look at* the method in which subscriptions are accepted. Invariably, a renouncable letter of acceptance is the document provided and until such date stated on that document, it is almost universally traded without evidence of ownership or proof of identity. (The banks have been asking for driving licences). Furthermore, with a mere signature, it can be made over into any name one cares to elect, including one's own, *should one feel that eventual* receipt of the certificate is justified in one's view that the equity has further to go than the expiry date for renunciation on the original letter.

There are several ways in which detection of multiple applications can be avoided and I am sure that Ernst & Whinney is aware of them. The way for the Government, or those companies who really desire a wide spread of ownership, to avoid their issues being stagged or abused is to issue certificates rather than renouncable letters to successful subscribers. Let the stag then have the headache of encashing non-negotiable cheques made in favour of those named on each certificate. I suggest this might be even more tedious than, for example, purchasing the several bankers' drafts with which he made his several applications, not to mention the tedium with which he has already been faced in encashing those several non-negotiable cheques for the over-subscription on each of his successful applications together with those refunded for each that was unsuccessful as a result of balloting or rejection for over-subscription in the first place.

Until some effort is made by those "Draconian" individuals who issue the letters to close the loopholes of sale or transfer, those gifted with a little more sense than the pitiful Mr Keith Best will continue to find the system quite straightforward and moderately profit*able*.

The major dissuasion, however, is that as the fashion for share ownership grows, allocations become so paltry as to make the whole exercise a complete waste of time.

T. A. Ditchfield.
22 Avenue Rd,
Winchester, Hants.

Selling stamps

From Mr N. Evans

Sir,—In response to the Post Office announcement that it will embark on High Street sales of postal stamps may I make the following contribution.

I am a newsagent and I have been selling stamps to *my* customers, at cost, as a service for several years. If the Post Office wishes to enter an enlightened phase it should quickly recognise that there are many retail units which would sell stamps. These units are open from very early in the morning to late at night, 363 days a year. They don't break down, they give change, and are vandal-proof.

I have been pressing the government for some time to allow newsagents to sell stamps for profit, and I find the Post Office's backward advances amusing. It it wishes its business to flourish it should quickly introduce bulk purchase of stamps at discount (5 per cent is pathetic).

No doubt when competition in the postal service is eventually introduced we will see some action. The Post Office is famous for its late delivery of which this is just one example.

Nigel Evans,
5 Graiglwyd Square,
Cockett, Swansea.

A modest discount

From Dr D. Moden

Sir,—Mr Bosworth (October 2) is being unfair when he accuses British Telecom of underhand practices to improve its profits. Having just received my quarterly telephone bill for £86.37 I have been invited to "Pay nothing now. Pay by budget account at £26.00 per month (APR 0 per cent). First payment November."

While my arithmetic may not be too good, first impressions suggest a modest discount in my favour!

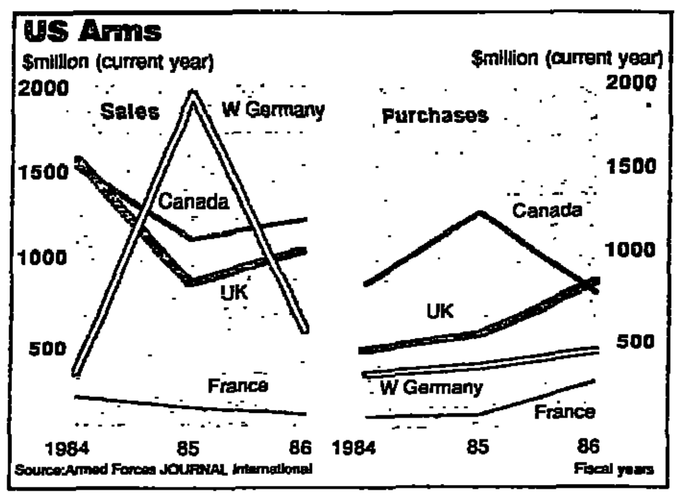
David Moden (Dr),
22, Angell's Meadow,
Ashwell,
Baldock, Herts.

FINANCIAL TIMES

Wednesday October 7 1987

Pentagon reviews defence trade with allies

BY DAVID BUCHAN, DEFENCE CORRESPONDENT, IN LONDON



THE PENTAGON has disclosed it is reviewing US defence trade with its allies in the same week that an important exhibition promoting the military exports of those allies opens in Washington.

News that a Defence Department team, under Mr Denis Kloske, a deputy undersecretary for resources, is examining the degree to which the US benefits from the memoranda of understanding (MOUs) it has on defence procurement with 19 of its allies and friendly countries coincides, ironically, with the opening of the ComDef exhibition specifically confined to those countries.

A big sales push from European arms exporters who face generally slack business elsewhere, coupled with US encouragement of transatlantic arms collaboration, brought a record $2.9bn in arms imports from Europe and Canada in 1985-6, and a protectionist backlash in Congress. This is despite the fact that the US still sold its allies $4.4bn worth of arms in 1985-6, and has run a chronic surplus on defence trade since the Second World War.

In undertaking the defence trade review, the Pentagon may be trying to head off protectionist measures on Capitol Hill.

The Senate and House of Representatives soon face a conference on the 1987-88 Defence Bill. They must decide whether to include in it the Glenn amendment, which would bar Strategic Defence Initiative (SDI) contracts going to a foreign company if there was a "competent" US company in the field, and the Trafficante amendment which would place a 5 per cent cost premium on any foreign bid competing with one offered by a US company from a high unemployment area.

The UK is expected to field the largest number of companies at ComDef, followed by Spain and France.

In the year ending September 30 1986, the latest period for which figures are available, France was the only country to have a defence trade surplus with the US. Perhaps anticipating Pentagon pressure, France has recently followed its Awacs purchases with the announcement that it will also buy C-130 Lockheed transport aircraft.

Tenacity key to arms market, Page 4

Sri Lankan Tamils kill captive soldiers

BY OUR FOREIGN STAFF

SRI LANKA'S ethnic crisis worsened significantly yesterday, when separatist Tamil Tiger guerrillas killed eight captured Sri Lankan soldiers and launched a spate of attacks following the suicide of 12 Tigers in government custody on Monday.

The agreement between Sri Lanka and India aimed at ending four years of ethnic violence on the island now faces its most serious test since it was signed in July by President Junius Jayawardene of Sri Lanka and Mr Rajiv Gandhi, the Indian Prime Minister.

In addition to the killing of the soldiers, Tamil militants shot dead the Sinhalese manager, and his deputy, of a state-run cement factory in the northern Tamil city of Jaffna and killed a policeman and wounded three others at nearby Vavuniya. There were also attacks on two army camps at Point Pedro and Thondamanaru in Jaffna district, wounding four soldiers.

All army camps in the north and east are now on full alert against Tamil attacks. A four-member camera crew of the state-run television station went missing yesterday and is feared kidnapped by Tamil militants.

The Tigers have announced they no longer feel obliged to keep the ceasefire brought into force by the July accord.

"If our leaders and cadres are allowed to die the Tigers are not bound to observe the ceasefire," said a Tiger spokesman in Madras, capital of the south Indian Tamil state of Tamilnadu. A letter to that effect had been sent to the Indian authorities.

The suicides and killings underline the extent to which the peace accord is being resisted despite the efforts of the Sri Lankan army and an increasingly large Indian peacekeeping force.

There are already more than 8,000 Indian soldiers and 1,000 paramilitary forces in Sri Lanka and more army units are on the way to try to maintain peace between the minority Tamil and majority Sinhalese communities. One unconfirmed report said as many as 4,000 more Indian soldiers were due.

The Tigers shot dead the eight Sinhalese soldiers, who had been held captive for seven months, as soon as word spread that 12 Tigers had swallowed cyanide tablets as they were about to be flown from the northern Tamil city of Jaffna to Colombo for questioning about arms running. Another five are in critical condition.

The soldiers' bodies were dumped at a bus stop in Jaffna.

The Tigers, who had been fighting to set up an independent state, had accepted the July accord only reluctantly. The accord aimed at ending strife that has killed 6,000 people. Since then the guerrilla groups have split, with splinter groups vowing not to surrender their arms and to continue the fight for an independent homeland.

IBM seeks larger share in telecoms

BY DAVID THOMAS IN LONDON

IBM, the world's largest computer company, yesterday launched a private telephone exchange in a drive to boost its share of the European telecommunications equipment market.

In recent years IBM has sold few telephone exchanges in Europe, although it still has a substantial installed base left over from the 1970s when it had a number of successful exchanges.

IBM said it had deliberately priced its new exchange, to be called the IBM 8750 BCS, aggressively in order to capture a large market share.

It is the first product designed for IBM by Rolm, the US telecommunications equipment manufacturer acquired by IBM in 1984 as part of its strategy to become more involved in telecommunications.

It is the first digital private exchange to be sold by IBM and also propels IBM into the telephone market for the first time, because the company will be selling the exchanges complete with telephones.

IBM intends to sell the exchange in at least 11 European countries. They will become available in the UK from next June, in Italy from August, in West Germany from October and in France from March 1989.

The exchange will be supplied in Europe from IBM's Havant, factory in the south of England. The company also announced yesterday a similar product, the IBM 9750 BCS, for the Americas and Asia.

Ms Julie Barnard, a London-based analyst with Dataquest, the US market research consultancy, said she thought IBM's market position in Europe would help make the new exchange successful, although she warned that competition in European telecommunications equipment was becoming tougher.

IBM stressed that its new exchange would be able to handle voice and data and said that it intended to offer it to customers in packages with its computers.

The range announced yesterday can handle up to 1,250 extensions and will be priced at £325 to £380 ($530-$620) per extension plus digital telephone. IBM says it will announce machines of more than 3,000 extensions in a few months.

IBM said this implied a price per digital telephone of about £80, which was described by Ms Barnard as "incredibly cheap."

In trying to sell its new exchange, IBM will face strong competition from the established European manufacturers, including Alcatel of France, Siemens of West Germany, Ericsson of Sweden, General Electric Company and Plessey of the UK and Italtel of Italy.

Jaruzelski to press for major reforms

BY CHRISTOPHER BOBINSKI IN WARSAW

POLAND'S communist leaders will be asked tomorrow by Gen Wojciech Jaruzelski, Poland's leader, to approve a major reorganisation of the central government and price rises designed to balance supply and demand.

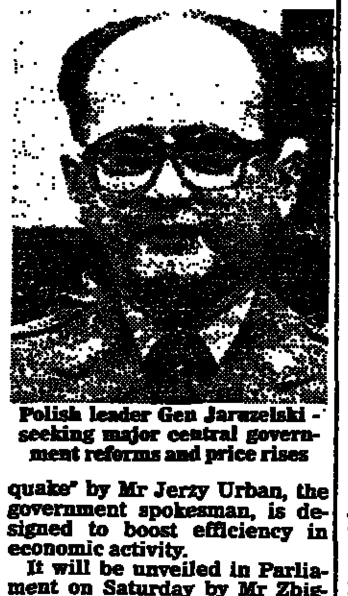
The party's central committee is to be presented with two alternatives for price policy, one involving significant price increases bunched over the next 12 months and the other spreading the same rises out over the next two years.

The committee will also be asked to give the go-ahead for a referendum (the first in Poland since 1946, and planned for early December), which would, in effect, prepare the ground for the expected drop in real incomes by posing questions in such a way as to elicit a positive answer from the population for the price rise programme.

The governmental changes involve the amalgamation of the industrial ministries into one unit, which would still be the responsibility of Mr Zbigniew Szalajda, the Deputy Premier responsible for industrial policy.

Foreign trade policy and internal trade are expected to remain two separate entities, and sectors such as education and tourism are to be streamlined.

The new policy, which was described yesterday as an "earth-



Polish leader Gen Jaruzelski - seeking major central government reforms and price rises

quake" by Mr Jerzy Urban, the government spokesman, is designed to boost efficiency in economic activity.

It will be unveiled in Parliament on Saturday by Mr Zbigniew Messner, the Prime Minister.

While many casualties of the reshuffle can be expected among ministers, of whom there are at present 26, the five deputy premiers are expected to retain their posts for the time being, as is the Prime Minister.

Polish leader Gen Jaruzelski - seeking major central government reforms and price rises

Col Rabuka proclaims Fiji a republic

By Chris Sherwell in Suva

FIJI entered a new and uncertain era yesterday after Col Sitiveni Rabuka proclaimed the South Pacific island a republic.

His dramatic four-minute declaration, made on nationwide radio immediately after midnight (local time), ended all hopes of a negotiated end to the crisis precipitated by his seizure of power 11 days ago.

Fiji will now automatically be excluded from Commonwealth membership with little chance of re-entering, and faces the prospect of a trade and aid embargo from Australia and New Zealand.

Strong criticism from the Queen, the British Government and the US is certain.

Col Rabuka's proclamation made no mention of recent events. The 38-year-old military ruler declared that the people of Fiji wanted "a new constitution for the advancement of their beliefs, rights and freedoms".

This constitution, he said, would "reaffirm that the indigenous Fijian race is endowed with their lands and the right to govern themselves for their advancement and welfare".

It would also reassert a recognition that "the indigenous people of Fiji ... are entitled to due deference to their customs and traditional way of life".

The declaration poses a major dilemma for Ratu Sir Penaia Ganilau, the Governor General, as representative of the Queen, for senior civil servants, judges and military officers with split loyalties, and for the country's large Indian community, which stands to lose most in the promised constitutional changes.

Indigenous Melanesian Fijians make-up just over 46 per cent of the country's 715,000 population, having become outnumbered over the past 108 years by migrant Indian settlers, who now make up 49 per cent. The remainder are Europeans, Chinese and other Pacific islanders.

Although Fijians have retained legal control and ownership of the land, they have stood by as Indian economic power has grown. In April, an election victory by a multiracial coalition led by Dr Timoci Bavadra, a Fijian, resulted in an Indian-dominated Government for the first time.

An ugly campaign of protests and violence became a pretext for Col Rabuka's first coup. He was persuaded to return executive authority to the Governor General, who initiated a constitutional review.

But Col Rabuka decided this would not produce the result he wanted quickly enough and intervened again, threatening to declare a republic if his minimum conditions for constitutional change were not immediately met. On Monday four-cornered talks aimed at securing a pact broke down.

The Governor General, overtaken by events, must now decide whether to resign in open protest or dare Col Rabuka to remove him by staying in Government House.

Col Rabuka had promised elections next year under a new constitution, but it is unclear when the document will be ready.

Fiji's other tragedy, Page 3

Iran hit by ship losses

Continued from Page 1

to be a useful covert weapon for Iran against shipping. But it seems that the Iranians have been hesitant to lay any more following the incident in which US forces shot at the mine-laying vessel Iran Ajr.

British minehunters sweeping supposedly dangerous channels off Dubai apparently failed to find any mines last week. The two mines which the French navy discovered off Fujairah last week had by all accounts been laid some time ago.

There remains, of course, a distinct possibility that Iran - or perhaps some Revolutionary Guards who may not be fully accountable to Tehran - will none the less undertake a foolhardy act of martyrdom which sparks a wider conflict.

Enichem in joint US, UK talks

BY ALAN FRIEDMAN IN MILAN

ENICHEM, the Italian state-owned chemicals group, has embarked upon a series of negotiations with US and British companies that are designed to achieve joint ventures in the pharmaceuticals, petrochemicals and elastomers sectors.

The Enichem initiatives, with companies such as Du Pont, Arco, Dow Chemical and British Petroleum, would appear to place in doubt any hopes of similar agreements being reached at home in Italy between ENI, the state holding group, and Montedison, the private-sector chemicals giant.

ENI approached Montedison last November with a proposal aimed at merging some of the two companies' interests in order to rationalise the Italian chemicals sector. In April, Montedison responded with an offer to buy Enichem outright from ENI.

ENI said that Enichem was not for sale and insisted on joint venture talks with Montedison, but these have come to nothing and the Milan group is perceived by ENI to have decided to follow its own separate course.

Among the new Enichem initiatives is a negotiation with Du Pont of the US to set up a joint marketing venture between Du Pont and Enichem's Sclavo subsidiary, which manufactures vaccines and diagnostic products. The Siena-based Sclavo would have been a candidate for a joint venture with Montud-son's Farmatalia Carlo Erba subsidiary.

It has also emerged that talks between Enichem and BP about a possible joint venture in polyethylene production are set to resume in the next few days after having been suspended last summer. Enichem and BP are the two largest producers of polyethylene in Europe with a combined output of nearly a quarter of total European production. An Enichem-BP agreement in this sector might be modelled on the unusual merger earlier this year in which Enichem and Britain's Imperial Chemical Industries (ICI) pooled their loss-making polyvinyl chloride (PVC) operations in Europe.

Details of Enichem's expected talks with US companies such as Arco and Dow Chemical were not available last night.

World Weather

		°C	°F			°C	°F			°C	°F			°C	°F
Ajaccio	F	25	77	Dubrovnik	F	21	70	Malta	S	27	81	Rhodes	S	23	73
Algiers	F	28	82	Edinburgh	F	12	54	Manchester	F	11	52	Rio de Jo	-	-	-
Amsterdam	C	16	61	Faro	F	21	70	Manila	-	-	-	Rome	R	23	73
Athens	S	22	72	Florence	C	22	72	Melbourne	R	12	54	Salzburg	S	26	79
Bahrain	S	25	77	Frankfurt	F	20	68	Mexico City	-	-	-	San Francisco	S	19	66
Bangkok	S	35	95	Funchal	S	23	73	Miami	S	21	70	Seoul	F	24	75
Barcelona	S	23	73	Geneva	F	15	59	Milan	C	14	57	Singapore	F	32	90
Beirut	S	24	75	Gibraltar	S	24	75	Montreal	S	10	50	Stockholm	C	11	52
Belfast	S	11	52	Glasgow	F	11	52	Moscow	C	10	50	Strasbourg	C	20	68
Belgrade	S	23	73	Guernsey	R	10	50	Munich	F	21	70	Sydney	S	24	75
Berlin	S	19	66	Helsinki	F	11	52	Nairobi	C	24	75	Taipei	-	-	-
Biarritz	S	20	68	H. Kong	F	29	84	Naples	C	18	64	Tangier	F	23	73
Bombay	F	31	88	Innsbruck	F	21	70	Nassau	-	-	-	Tel Aviv	S	25	77
Bordeaux	C	21	70	Inverness	C	11	52	New Delhi	S	34	93	Tenerife	S	26	79
Brussels	C	15	59	Islamabad	-	-	-	New York	S	12	54	Tokyo	R	19	66
Budapest	S	20	68	Istanbul	F	20	68	Nice	TH	18	64	Toronto	S	11	52
B. Aires	C	20	68	Jakarta	-	-	-	Nicosia	-	-	-	Tunis	S	29	84
Cairo	S	22	72	Jersey	C	15	59	Oporto	F	19	66	Valencia	F	24	75
Cape Town	S	22	72	Jo'burg	S	23	73	Oslo	R	10	50	Venice	C	18	64
Caracas	S	15	59	Lima	-	-	-	Paris	C	16	61	Vienna	R	19	66
Casablanca	S	24	75	Lisbon	C	19	66	Peking	-	-	-	Warsaw	S	19	66
Chicago	S	27	81	London	R	15	59	Prague	C	15	59	Washington	S	11	52
Cologne	C	17	63	Los Angeles	C	18	64	Reykjavik	F	1	34	Zurich	F	17	63
Copenhagen	F	14	57	Luxembourg	R	14	57								
Corfu	S	22	72	Madrid	F	16	61								
Dallas	S	12	54	Majorca	F	25	77								
Dublin	F	11	52	Malaga	F	23	73								

Readings at mid-day yesterday

C-Cloudy D-Drizzle F-Fair Fg-Fog H-Hail R-Rain S-Sun Sl-Sleet Sn-Snow T-Thunder

Poehl doubts over IMF index plan

Continued from Page 1

this could be a practicable system for monetary policy."

Mr Baker suggested at the IMF/World Bank meeting in Washington last week that the relationship between currencies and a commodity basket including gold could act as an early warning of price trends and should be used as an analytical tool.

When the average of these prices began to rise or fall, major industrial democracies would know whether they had to squeeze back the supply of credit or boost performance, he suggested.

But Mr Poehl said: "There is some scepticism regarding suggestions for going beyond just observing raw material prices - in other words, going to some sort of fixed link between monetary policy and raw material price movements."

On domestic interest rate policy, Mr Poehl confirmed the widespread belief that the Bundesbank was increasingly using minimum tender levels for securities repurchase agreements as a way to steer short-term interest rates.

The repurchase agreement is a "particularly flexible instrument" gradually to reduce the rate of monetary expansion, he admitted.

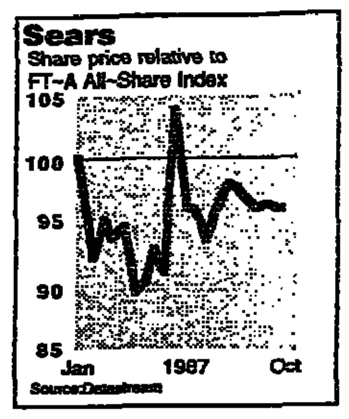
The Bundesbank yesterday increased to 3.60 per cent the minimum tender level its sets for repurchase agreements.

Mr Poehl's main concern appears to be to quash fears of higher inflation rates, without at the same time putting German economic growth at risk. Therefore, he is stressing that interest rates are not on an upward trend, while using repurchase agreements to gradually damp down the pace of monetary expansion.

THE LEX COLUMN

Unsure footing at Sears

The presence of Robert Holmes a Court on Sears' share register, with an 8.2 per cent stake, appears to have concentrated the management's mind somewhat, even if a sharpening up process had already begun. Yet the quarrel the City has with Sears, and the main reason for the 5½p fall in the share price yesterday to 167½p, is that the company is not doing much to win the friends it will need if a bid eventually comes. A 15 per cent rise in interim pre-tax profits is adequate, though not startling, but Sears was annoyingly unforthcoming to analysts yesterday about the make-up of those profits. That automatically raised suspicions about their quality, which may well prove unfounded, but damaging nonetheless.



Most marked among the complaints is the inclusion in footwear retailing profits of an unquantified gain from selling shops. Sears is cutting about 350 shops out of the footwear chains, most of which are to be redeployed elsewhere in the group. But some are being sold at what ought to be good prices given the competition for high street sites. Meanwhile, the fall in betting profits may be explicable, despite an 8 per cent increase in betting slips sold, given the punters' improved luck so far this year. But it is a reminder of the volatility of such earnings.

While the market is ready to concede that Sears is generally moving in the right direction, there is some frustration with the pace of progress and a fear that the strong balance sheet might tempt it into unwise acquisitions. It is by no means certain yet that an offer at the right price could be resisted, although the longer it is in coming, the better Sears' chances of resisting. And Mr Holmes a Court's holding costs on his investment must be nibbling away at his profit. A multiple of 16 for the current year, on a pre-tax estimate of £240m excluding disclosed exceptional profits, is poised between bid speculation and fundamental value.

Markets

The London equity market's sharp little setback yesterday afternoon was a reminder of grumbling unease over international interest rates. At the root of it was an apparent upward nudge in rates by the Bundesbank, and some cautionary remarks about money supply growth from Karl Otto Poehl. This in turn knocked the New York markets, with equities in particular happy to lie low after recent strength.

It will not in fact be clear until today just what the German authorities have in mind. The Bundesbank yesterday set the minimum rate for today's tender at 3.6 per cent, compared with 3.5 per cent a fortnight ago. On that occasion the actual allocation the following day was at 3.65 per cent, and the assumption is that the rate will be correspondingly highertoday. If so, Mr Poehl will be taking a leaf from Mr Lawson's book - in the more downbeat German manner, to be sure - and giving warning that the authorities are prepared to take pre-emptive action against inflation. The effect on the D-Mark should meanwhile be one of catch-up, since the slight weakness in the currency over the past week or so was largely due to Germany being left behind in the general upward trend in world interest rates.

In Tokyo, too, interest rates have been firming. Taken with the possibility of a rise in the discount rate, this would hardly seem the ideal environment in which to launch next month's massive sale of a second tranche of NTT shares. However, the Japanese stock market has been ignoring the behaviour of the world's bond markets, and after rising by over 1000 points since the middle of last month the Nikkei Dow is only a few points below its all-time high. Despite the much higher valuations of Japanese equities relative to other major stock markets, there has been a definite change in Japanese investor attitudes to overseas markets. Whereas earlier this year London and New York were talking confidently about the wall of Japanese money which would underpin their local markets, the latest figures show a sharp decline in Japanese purchases of overseas bonds and equities, and a corresponding rise in the money available for the domestic market.

Royal Life

Those who objected to Royal Life's privatisation-like unit trust launch campaign may regard it as poetic justice that it appears to have attracted less money and more people than envisaged. By pulling in £240m from 135,000 unitholders - rather than £300m from 100,000 - Royal have probably done little better than break even on the launch. The £14.5m of front end fee is largely cancelled out by the advertising and prospectus costs, the commissions, the discount and the higher than expected administrative costs. That still looks impressive by comparison (however unfair) with Britannia's purchase of County's £400m for £40m, but rather less exciting than the Pru's acquisition of £190m from 80,000 people at a cost of less than £1m.

But Royal shareholders have little to worry about, even if they were among those pestered by the irritation of duplicated mailing lists. The name of the company may have had an unusual brush with controversy but it has also received the kind of exposure that other companies pay £3m-plus a year for. Added to which it now has assets of £240m and 135,000 new customers to whom the company can cross-sell a variety of other products. All that remains is for the funds to provide returns above the average and for Royal's protestations that its customers are not expecting another BT or TSB to be vindicated. If the company is wrong it will not be long before it disappears under a mountain of angry letters and redemptions.

The Governor

Even Governors of the Bank of England have to manage their private investments. But Mr Leigh-Pemberton's readiness to endorse a candidate in the elections at Lloyd's, where he is both regulator and investor, shows questionable judgment. It is regrettable that he declined the opportunity yesterday to make his position clear.

SECTION II – COMPANIES AND MARKETS
FINANCIAL TIMES
Wednesday October 7 1987

Royal Life sets record with new unit trusts

By Eric Short in London

ROYAL LIFE Fund Management, the unit trust arm of Royal Insurance Group of the UK, has created a record for investment in a unit trust launch.

Its Royal Event, a £5.9m marketing campaign for three international unit trusts, attracted £240m ($388m) in investments.

That was £20m more than the previous record, achieved in a launch last year by Commercial Union Fund Managers.

But it fell far short of Royal Life's own target of £300m, and it is doubtful whether the company did more than cover the costs of the launch given that it has to pay commission to intermediaries and is limited to taking only around 5¼ per cent of the total invested to meet its own expenses.

However, the campaign did bring an above-target number of responses from individuals. Some 135,000 people applied for units – one third more than the forecast 100,000.

Although the largest investment received was £500,000, the average was only £1,780 against a target of £3,000.

The £5.9m campaign, which blanketed Britain through television, press and direct mail advertising in a manner akin to the promotion of a privatisation issue, was itself controversial.

No unit trust group had spent anything like that amount on promotion before. There was criticism from several quarters that it was misleading the public on the benefits of unit trust investment, and complaints were made to the Advertising Standards Authority.

However, Mr Peter Baines, director and general manager of Royal Life Fund Management, denied there was any substance to the criticisms and said yesterday the authority was not pursuing the complaints.

Bowery distress sale reaps $100m profit

BY ANATOLE KALETSKY IN NEW YORK

BOWERY Savings Bank, the historic New York retail bank, which since 1834 has looked after small savings of poor immigrants on Manhattan's Lower East Side, will soon be further enriching some of America's wealthiest investors.

With the agreement, announced on Monday night, to sell the Bowery for $200m to H. F. Ahmanson & Company of Los Angeles, there will be nearly $100m in profits to divide up between Mr Warren Buffett, the legendary investor from Omaha, Nebraska, Mr Laurence Tisch, head of CBS and Loews Corporation, and Mr Richard Ravitch, a leading New York property developer and public official.

However, there will be no profit-sharing for the federal Government, which sold the near-insolvent Bowery to the investor group for half its present price less than two years ago.

This is likely to fuel controversy in Congress about the use of taxpayers' money to bail out failing banks. The Bowery sale appears to be the first time in recent years that investors who gained control of a bank with the help of federal guarantees have sold it on so rapidly to make a large profit.

The Bowery, which for 150 years had been a mutual institution owned by its depositors, was effectively taken over by the Federal Deposit Insurance Corporation in 1985, after suffering mounting losses on its fixed-rate mortgage lending.

The FDIC put $165m in cash and $100m in loans into the Bowery, when it sold it for $100m to the investor group led by Mr Ravitch. The federal agency also provided guarantees against adverse swings in interest rates as part of the deal.

Since its balance sheet was restructured in 1985, the bank, headed by Mr Ravitch, has returned to solid profitability, making $200m in profits during the last two years on assets of $6.7bn. Now Mr Ravitch and others involved in the bank's management are expected to receive $20m from the proceeds of the Bowery sale.

The other $180m will be divided about equally between Mr Buffet's Berkshire Hathaway Inc, Mr Tisch's family interests and two venture capital funds, run by the Wall Street firms of Warburg Pincus and Dillon Read.

For Ahmanson, currently the second-biggest owner of thrifts in the US, acquiring Bowery will represent an important expansion into the New York City savings market and could re-establish the conservatively-managed Ahmanson as the biggest savings institution in the US.

Brascan forecasts second-half gains through Noranda unit

BY ROBERT GIBBENS IN MONTREAL

BRASCAN, the big financial services, resources and consumer products group, expects to gain from higher world commodity prices in the second half through its subsidiary Noranda Inc.

Brascan, a holding company controlled by the Peter and Edward Bronfman interests of Toronto, still hopes to become an operating entity through an acquisition during 1988, but while plenty of opportunities exist, prices are very high, said Trevor Eyton, the president.

Brascan's income now consists mainly of dividends from a large number of companies in which it invests, and the acquisition being planned would give it operating income and cash flow and certain tax advantages.

Brascan controls Noranda, whose earnings have rebounded sharply this year. Noranda sold assets in 1986 to reduce debt and in the first half of 1987 posted net profits of C$132.6m, or 80 cents a share. Higher metal and forest products prices and improvement in its oil and gas operations should give Noranda a sharp second-half increase, said Mr Eyton.

This would impact favourably on Brascan, which earned C$136.8m, or C$1.55 a share, last year. He said per share earnings for all 1987 could reach C$1.85 or more.

Mr Eyton said all Brascan's investments are doing well though financial services are meeting much stronger competition.

Noranda has taken its forest products and gold mining subsidiaries public but will not follow suit with its oil and gas subsidiary. Noranda Petroleum owns Canadian Hunter Limited.

The Labatt consumer products group's food, brewing and agriproducts operations are doing very well this year, he said, and Labatt wants to invest in a US regional brewer.

Brascan's financial services group plans expansion outside Canada, and its Great Lakes Group banking subsidiary is concentrating on corporate finance as a limited market dealer or sub-underwriter. Brascan raised C$1.2bn in common equity in 1986.

More direct equity could be raised by individual Brascan companies later this year, and convertible debentures issues are also possible.

Linotype to be floated tomorrow for DM600m

By Haig Simonian in Frankfurt

LINOTYPE, the West German printing technology group bought by Commerzbank from Allied Signal of the US in late March, is to be floated tomorrow for DM600m, as reported briefly yesterday.

The company is the world's second-largest producer of high-technology typesetting and associated communications equipment, claiming a 15 per cent market share internationally.

Some 1.2m Linotype shares, worth a nominal DM60m ($110m), will be placed by a Commerzbank-led group at DM500 a share. A further DM20m in nominal capital, plus one share, is to be assigned to Frega Vermögensverwaltung, an investment management company in which Commerzbank itself will hold a 40 per cent stake.

Three other groups, Buehrmann-Tetterode Nederland, the East Asiatic Company, a Danish group, and Iduna, the German insurer, will hold 20 per cent each.

The share issue, which includes Crédit Lyonnais, Morgan Stanley International, Nomura International and S.G. Warburg Securities in the management group, is aimed to ensure a broad international placing for a company which is well known for its products in both Europe and the US.

Linotype, which employs almost 2,100 people worldwide, had sales of over DM500m last year and after-tax profits at parent company level of DM32m, up from DM12m in 1984.

Group turnover has increased by an average 7 per cent a year in the past three years and rose 13 per cent in the first eight months of 1987. Profits are expected to rise by about 7 per cent a year, according to Commerzbank's analysts, who are forecasting earnings a share of DM24.50 in 1988, giving a P/E ratio of 20.4 at the issue price.

The pricing is difficult to judge owing to the lack of comparable companies on the German stock exchange.

RAIDERS TARGET BUILDING PRODUCTS GROUP

Fresh bid made on USG

BY JAMES BUCHAN IN NEW YORK

USG, the building products group which is America's largest gypsum producer, has come under a fresh takeover assault with the announcement by two aggressive Texas investors that they hold nearly 10 per cent of the Chicago company.

Stock in USG, which has risen strongly on takeover rumours in the past two weeks, jumped $4 to $55⅞ in early business yesterday in response to Monday's late announcement by Mr Cyril Wagner and Mr Jack Brown that they own 9.83 per cent of USG and may seek control.

At yesterday's prices USG is valued at $2.8bn. The company reported earnings of $255.4m on sales of $2.72bn last year but is now facing a downturn in its main construction markets.

Mr Wagner and Mr Brown, whose main business is an energy and property partnership in Midland, Texas, are former associates of Mr T. Boone Pickens, the doyen of Texan raiders.

In the past year the partners have launched assaults on two sprawling conglomerates, Lear Siegler of California and the diversified tyre-maker GenCorp.

Both bids were rebuffed, but the partnership apparently reaped handsome profits when Lear Siegler went private in a $2.1bn leveraged buy-out and GenCorp announced a stock buy-back and restructuring. The partners are already sitting on a potential gain of nearly $60m on their USG stake.

Last year USG paid out $139.6m to buy stock held by the Belzberg family as the price of a 10-year promise by the Canadian raiders not to seek control of USG. There was speculation on Wall Street yesterday that the Texans may be seeking similar treatment, a practice known as greenmail.

Pacific Dunlop to buy US group

BY OUR FINANCIAL STAFF

PACIFIC DUNLOP, the Australian industrial group, is to acquire control of GNB Holdings, a US automotive and industrial battery maker, for A$173m (US$124m).

The group is to take an inital 60 per cent and plans to amalgamate its Pacific Chloride battery operations in the US with GNB, to create a leading producer of lead acid batteries with combined annual sales of US$500m.

In order to help finance the deal, Pacific Dunlop plans to place 20m shares in an equity issue in Australia and abroad. Stockbrokers Potter Partners and Baillieu will place 12m units with Australian institutions while Credit Suisse First Boston and Cazenove Australia will place 8m shares internationally.

At recent prices the placement would raise A$118m. Sir Leslie Froggatt, chairman of Pacific Dunlop, said total worldwide sales of Pacific Dunlop's batteries would rise to more than A$900m.

The acquisition raises its North American sales to US$700m a year of batteries, latex gloves and condoms, footwear and polyurethane foam.

GNB sells batteries under the Champion, High Energy, Power Breed, Action Pack, Super Crank and Stowaway trade names and makes batteries for sale under private labels. It is also a major supplier of submarine batteries to the US Navy, Pacific Dunlop said.

The Australian company last year acquired battery operations in Australia, the US, Canada, Mexico and New Zealand from Chloride of Britain.

Manny plans to recoup $55m

BY OUR NEW YORK STAFF

MANUFACTURERS Hanover, the sixth largest US banking group, has announced it will recoup about $55m out of its pension fund as part of a multiple effort to plug the holes in its capital base left by provisions against shaky Third World loans.

Manny Hanny, which last month raised $276m from an issue of new equity, said it would book a gain of $55m – or $30m after tax – from the purchase of annuities to satisfy some of its pension obligations. It said the pension clawback is part of a recapitalisation effort that could include the sale of some non-strategic assets.

With the announcement, Manny Hanny is once again following a lead set by Citicorp, the largest US banking group, which put pressure on the other money-centre banks in May when it announced a $3bn addition to its reserve against Third World loan losses.

Last month, Citicorp raised more than $1bn from a sale of common stock, and booked an after-tax gain of $160m out of its excess pension assets.

Manny Hanny, which was relatively poorly capitalised even before its $1.7bn loan-loss provision in June, said it was aiming to raise its equity base to 4 per cent of its total assets by the end of next year. Equity is the surplus of assets over liabilities.

Mr Peter Tobin, chief financial officer at Manny Hanny, said no new shares would be issued as part of the capital build-up.

Foreigners lift MISC holdings to 23.5%

By Wong Sulong in Kuala Lumpur

FOREIGN INVESTORS have raised their holdings in Malaysian International Shipping Corporation (MISC) to nearly 23.5 per cent, from only 9 per cent when the company was listed on the Kuala Lumpur Stock Exchange last February.

MISC said foreigners held 117.2m of the company's 500m shares at the end of September, compared with 19.5 per cent at the end of June. Company policy limits foreign ownership to 30 per cent.

MISC has been a favourite among foreign investors because of its strong earnings record and management. The company recently reported a 70 per cent increase in pre-tax profits to 143.8m ringgit ($57.5m) for the first half to June.

Analysts say MISC's profits are "locked in" as it has a 20-year contract to transport 6m tonnes of liquid natural gas annually from the East Malaysian state of Sarawak to Japan.

A total of 85m MISC shares were sold to the Malaysian public at 2.4 ringgit per share. The shares opened at 5 ringgit and have since risen to above 9 ringgit.

Telco share issue oversubscribed

BY JOHN ELLIOTT, RECENTLY IN BOMBAY

A SHARE debenture issue of Rs1.01bn ($77m) issued by Tata Engineering and Locomotive (Telco) to help finance a project which is likely to include India's first locally developed mass production car has been oversubscribed by at least 25 per cent.

This is in line with the target of the company to raise Rs1.32bn from the issue, because it will be allowed by the Government to retain a 25 per cent oversubscription.

Telco, part of India's second largest industrial group, is the country's biggest producer of commercial vehicles, turning out 55,000 to 60,000 vehicles a year. It is investing Rs200m over two years in a new model called a Tatamobile, which it has designed without any foreign collaboration and which will initially be manufactured early next year as a two-ton pick-up truck.

Later the Tatamobile, which will be produced with both diesel and petrol engines, will appear in other versions such as a van and taxi. It is also widely expected to be produced as a luxury two-litre car if Telco's two-year-old collaboration with Honda of Japan for an Accord saloon is not approved by the Government.

About 10 applications for foreign car collaborations have been waiting for government approval for more than a year. Most, including the Honda proposal, seem likely to be rejected, in which case the Honda collaboration agreement would expire next year.

Telco expects to export the Tatamobile to countries such as the US, Egypt and other parts of Africa.

The company's turnover increased last year to a record Rs11.97bn, compared with Rs10.26bn in 1985-86. Profits, however, were only Rs29.3m, compared with Rs183m a year earlier, partly because of a lack of overall demand.

TSE to admit 20 new members

THE JAPANESE Ministry of Finance and the Tokyo Stock Exchange yesterday agreed to allow admission to the TSE of about 20 new member firms before the end of the year, Kyodo reports from Tokyo.

Officials said that more than 20 US, British, French, West German, Swiss and Hong Kong securities firms had shown interest in membership. Only six of the 43 foreign securities companies currently operating in Tokyo are members of the TSE.

However, the officials added that some 10 domestic broking houses would also bid for membership. Criteria used in awarding seats would include an evaluation of the brokers' assets and the degree of their participation on the exchange to date.

A special committee chaired by Mr Shoji Uemura, chairman of Nikko Securities, one of Japan's big four broking firms, is due to agree on a list of successful applicants by mid-December. The authorities again stressed that the new members would be allowed to join only in May next year when the new TSE building is set to open.

Yesterday's decision needs to be endorsed by a TSE board meeting on October 20, with the final number of new entrants agreed at a general meeting of member firms on November 4.

● The four largest domestic securities houses said yesterday they would increase their dividends for the year ended last month. Nomura intends to pay Y12.50 per share compared with Y10.50, Daiwa and Nikko Y12 each against Y9, and Yamaichi Y13. It also paid Y9 per share last year but this time is including a Y1 commemorative payment for its 90th anniversary.

MIM agrees on Highlands Gold offer

By Our Financial Staff

THE Papua New Guinea government and MIM Holdings of Australia have reached agreement on the flotation of its local Highlands Gold offshoot into which MIM will inject its one-third stake in the Porgera gold deposit.

Porgera is one of the world's largest gold deposits. Exploration drilling so far has indicated reserves of 387 tonnes of gold. The joint venture participants plan to present a draft feasibility study on a mine for the deposit by next March.

A statement by MIM and Mr John Kaputin, Minerals and Energy Minister, did not reveal the break-up of the proposed shareholding or the size of the float but PNG officials have said MIM plans to retain 60 per cent of Highlands Gold. The rest will be offered to MIM shareholders, PNG residents and foreign institutions.

The proposal, announced a year ago, has been delayed by disagreement over the percentage of Highland Gold to be allotted to PNG residents and the question of liability to stamp duty on the transfer of the Porgera stake to Highlands Gold from MIM. The government also wanted to avoid a political row like the one which surrounded the allocation of shares to a minister last year in the flotation of Placer Pacific. Placer is a one-third member of the Porgera joint venture.

The other one-third participant in the venture is Renison Goldfields Consolidated.

Mr Norm Fussell, a director of MIM, said Highlands Gold could now plan its share issue and start exploring and developing projects in PNG.

Higher prices boost Kanhym

BY JIM JONES IN JOHANNESBURG

KANHYM, the South African cattle feedlot and coal mine operator, benefited from higher meat prices in the eight months to August and expects further turnover and profit improvements during the current year.

The directors say, however, that the turnover increase was based solely on higher prices, not on greater volumes. The year-end has been changed to August from December.

Turnover was R420m ($202m) during the eight months against R513m in calendar 1986, the eight months' operating profit was R14.3m against the previous year's R16.5m and the pre-tax profit was R8.3m against R5.6m.

The directors expect meat prices to continue to rise due to livestock shortages. Cattle farmers are rebuilding herds which were reduced during the drought. Higher red meat prices have led to consumer resistance and Kanhym's directors say that increases in consumer spending have not had a significant effect on the company's market.

Coal mining income was reduced sharply following the sale of a colliery and as a result of poor export prices.

Net earnings were 14 cents an ordinary share against a deficit of 4.1 cents in 1986. An ordinary dividend has not been declared but interim preference dividends have been resumed.

BHP weighs further reshape

BROKEN HILL Proprietary, Australia's biggest company, is weighing possible further restructuring of its oil, mineral and steel businesses, Reuter reports from New York.

Mr Geoffrey Heeley, executive general manager of finance, told an Australian investment conference that BHP had already undertaken streamlining measures and was conducting further studies to determine if it will spin off or restructure its core businesses, as it recently spun off its gold business to shareholders.

He said the group had 'no pre-conceived notions' about what the study will reveal. At the same time, BHP plans to decide by next June whether to begin mining for copper at its 60 per cent-owned Escondida mine in Chile.

The mine, 30 per cent-owned by RTZ of London, will cost more than US$1bn to start up, he said. Mitsubishi Corporation of Japan owns the remainder of the mine.

Escondida has a massive ore body of nearly 7.8m tonnes, the largest undeveloped copper ore body in the world. Once started, the mine would be an extremely low-cost producer and very profitable at today's prices, he said.

Hooker buys 58% of B Altman

HOOKER CORPORATION, the Australian property group, has acquired a 58 per cent stake in B Altman, a US department store chain, for an undisclosed sum, Reuter reports from Sydney.

Hooker said in a statement that it bought the majority stake from an investor group which had acquired the six-store chain in 1985 from the Altman Foundation, a charity set up by Mr Bernard Altman, the founder, who died in 1913 without heirs.

Hooker said that the purchase, which is its fourth major US retailing acquisition in the last year, was in line with its plans to become a force in US specialty retailing. It said B Altman had an annual turnover of about US$300m.

INTL. COMPANIES & FINANCE

Swedish banks' earnings suffer modest setback

BY KEVIN DONE, NORDIC CORRESPONDENT IN STOCKHOLM

SVENSKA HANDELSBANKEN and PKbanken, Sweden's second and third largest banks, both suffered a drop in group operating profits in the first eight months of the year.

Handelsbanken group operating profits fell by 10 per cent from last year's record level, to SKr2.01bn ($312m) compared with SKr2.240bn in the corresponding period last year. Return on adjusted equity fell to 21.9 per cent, from 28.4 per cent a year earlier.

PKbanken, which is 84 per cent state-owned, said its operating profits in the first eight months fell by 6 per cent, to SKr1.392bn from SKr1.45bn. The bank forecast that full-year profits would exceed the 1986 level, however, helped by the rapid recovery of PKfinans, its finance company subsidiary, from last year's loss.

PKbanken is selling its 50 per cent holding in the mortgage bank Svensk Bostadsfinansiering (Bofab) to its two main competitors Handelsbanken and Skandinaviska Enskilda Banken in a deal worth SKr550m. The disposal will give the bank an after-tax capital gain of about SKr390m.

PKbanken said that its net interest income had risen by 18 per cent to SKr3.17bn, while lending losses were reduced to SKr353m from SKr530m. It had been impossible to repeat last year's big capital gains on bond sales, however.

Handelsbanken said that its domestic lending rose by 14 per cent in volume, including a 30 per cent jump in lending to households. The rise in volume was accompanied by a narrowing of interest margins, however, in the face of intense competition.

Interest earnings for the group declined slightly to SKr3.113bn from SKr3.126bn. Other income fell by 14.2 per cent, to SKr1.112bn, partly as a result of lower earnings from money market and bond trading. Credit losses were more than halved to SKr117m from SKr246m.

●Gotabanken yesterday bought at auction nearly 13m shares in Fermenta, the embattled Swedish antibiotics and chemicals group.

The shares had been held in collateral for loans of about SKr500m made to Mr Refaat El-Sayed, the former majority shareholder and chief executive in Fermenta, who was declared bankrupt last month.

Gotabanken now holds a voting stake in Fermenta of more than 18 per cent. The bank claims that it is still owed about SKr270m by Mr El-Sayed, but it said yesterday that its eventual loss had been more than covered by provisions.

OEMV in $77.5m refinery purchase

By Judy Dempsey in Vienna

OEMV, the Austrian state-owned petrochemicals group, has acquired Marathon-Raffinerie, a subsidiary of Marathon Petroleum of the US.

The deal, which will give OEMV a higher profile on the European market, is understood to have cost the Austrian group more than Sch1bn ($77.5m).

Marathon-Raffinerie has a staff of about 650 and produces more than 3.4m tonnes of petrochemical products, mostly in diesel and jet sectors. Its turnover last year totalled DM1bn.

The transaction suggests that OEMV's profile is being hightened ahead of the partial privatisation due to take place before the end of the year, when the Government plans to sell 25 per cent of OEMV through the Vienna bourse.

The move is seen as a test case of Austria's modest privatisation programme. OEMV is one of the nation's few profitable state companies.

Mr Hebert Kaes, OEMV's managing director, said yesterday that the company was likely to record an operating profit of Sch1bn this year, after Sch1.4bn in 1986.

He forecast that OEMV would pay a dividend equal to last year's Sch300m, which represented a 15 per cent payment on OEMV's Sch2bn capital.

Pohjola proposes $110m rights

By Olli Virtanen in Helsinki

POHJOLA, Finland's leading insurance company, plans to raise FM488.5m ($110m) through a rights issue of 8.1m B shares at FM60 each.

Subscriptions for the one-for-four issue open on November 10. Before the announcement of the issue, Pohjola's B shares were traded at FM120 on the Helsinki stock market.

Pohjola's shares are exempt from restrictions on foreign ownership in Finnish companies which limit, to a maximum of 40 per cent, the level of shareholdings that can be held by non-residents.

According to Mr Asko Sasi, Pohjola's finance director, the funds to be raised by the issue will be used on the domestic capital markets. They will be targeted at investments in property and securities.

The issue is managed by Kansallis-Osake-Pankki of Finland and the London-based Swiss Bank Corporation International.

The financing comes at a time when Pohjola's main rival in Finland, Sampo, is changing its status from a mutual insurance company to that of a limited liability company by issuing shares to existing insurance policy-holders.

Sampo's total capital will initially amount to FM66m. It will probably be listed on the Helsinki Stock Exchange in the next few months.

Pohjola improved profits for 1986 but paid a maintained FM0.90 a share dividend.

Premiums grew by 12 per cent, to FM5.56bn, and earnings before allocations moved up to FM134m, or FM4.50 a share.

Pernod-Ricard midway profits increase 30%

By Our Financial Staff

PERNOD-RICARD, the big French producer of alcoholic and soft drinks, reported a 30 per cent jump in its earnings from current operations in the first half of this year, to FFr612m ($99.8m) from FFr470m in the same period last year.

It said it was maintaining its forecast of an 8 per cent rise in income from current operations for 1987, compared with 1986, and said consolidated net income was still expected to grow by more than 10 per cent.

The company said the sharp rise in earnings in the first half was based on a 9.5 per cent gain in revenue, to FFr5.4bn.

Pernod said the higher revenue took into account the consolidation of two acquisitions by the group since January.

Strong foreign demand for Suez shares

By Our Financial Staff

FOREIGN demand for shares in Cie Financiere de Suez is strong and the public offer has been oversubscribed 8½ times, Banque Indosuez, the lead underwriter, said.

Suez capital, after conversion of non-voting shares and a capital increase ahead of privatisation, is 64.65m shares, with a nominal value of FFr75 each. Of this, 5.83m shares will be offered directly to foreign investors via underwriters abroad.

The offer is open until October 17.

French defence group shows first-half gain

BY OUR FINANCIAL STAFF

MATRA, the French state-owned defence and electronics group which is about to be privatised, says that the group share of consolidated net income edged up to FFr41m ($6.6m) in the first half of 1987, against FFr34m a year earlier.

The group said the advance came on a first-half revenue gain to FFr7.67bn from FFr6.69bn.

Matra said it expected revenue to rise more steeply in the current half as a result of anticipated billings for defence-oriented orders that are currently being executed.

There were also exceptional costs that would not be repeated in the second half. The negative impact of subsidiaries on its results would also be lower.

It said this was expected to help push group share of consolidated net income for the year to about FFr200m, compared with the FFr153m profit recorded for 1986.

●CGE, the big electrical group, reports first-half 1987 net profits of FFr1.29bn, against FFr957m in the same period last year.

State to sell off 25% stake in Austrian Airlines

BY OUR VIENNA CORRESPONDENT

THE Austrian Government is to sell 25 per cent of its share in the state-run Austrian Airlines as part of a programme to privatise partially a number of nationalised industries.

The sale, which will take place next May, is intended to raise revenue to meet the Government's expenditure plans as well as reduce the large budget deficit to Sch75bn ($5.78bn) during 1988.

Dr Winfried Braumann, of the Finance Ministry, said the Government was also anxious to promote a wider public interest in share-buying.

"We want to keep the Austrian bourse active now that several companies are beginning to trade there," he said.

Under the terms of recently-passed legislation, the Government will retain a 51 per cent stake in the state-owned industries.

The shares being issued by Austrian Airlines will have a total nominal value of Sch450m, out of a total nominal capital of Sch1.8bn.

Officials from the Finance Ministry and from Austrian Airlines are reluctant to say how much revenue the Government will gain from the sale.

The airline, which was nationalised in the 1960s after recording heavy losses, clawed its way back into the black in 1971. Last year, declared profits amounted to more than Sch96m.

Poulenc ahead mid-term

BY PAUL BETTS IN PARIS

RHONE-POULENC, the French state-owned chemicals group, yesterday reported a 15 per cent rise in first-half net profits, to FFr1.14bn ($186m) from FFr988m in the first six months of last year.

Consolidated sales increased by 2.7 per cent to FFr28.75bn in the half year, compared with FFr27.98bn.

The company also reported a general improvement in its balance sheet, with debt charges falling to FFr788m from FFr817m. The improvement is the combined result of the group's capital increase this spring and higher income.

Rhone-Poulenc is campaigning to be the next state-owned industrial group to be privatised in the Government's sell-off programme.

Company Announcements

IMI Bank two-year deal marks fixed-rate debut

BY CLARE PEARSON

IMI BANK INTERNATIONAL, the borrowing vehicle for Istituto Mobiliare Italiano, the Italian state entity, yesterday became the latest borrower to launch a short-dated Eurodollar bond issue, with a $200m two-year offering marking IMI's debut in the fixed-rate sector of the market.

Eurobond issuing houses have been concentrating new issues at the short-end of the yield curve as fears of higher interest rates have made longer-dated bonds increasingly hard to sell.

Yesterday, Monday's three-year issue for Toyota Motor Finance (Netherlands) was trading at around its fees while a $120m seven-year deal for Osaka Prefecture, launched the same day, was bid as low as less 2⅝.

IMI Bank International's 9½ per cent bond, which came in the wake of last month's $1bn three-year deal for the Republic of Italy, was considered fairly priced by the market. But dealers expressed concern that there might be little liquidity in the deal, as other bonds for Italian state entities have tended to trade poorly in the secondary market.

However, Union Bank of Switzerland (Securities), the lead-manager, said it would be quoting a ¼ point bid-offered spread in the deal and added that a number of houses with a strong trading presence, such as Merrill Lynch Capital Markets, had joined the group.

The bond was quoted at less 1.10 bid to its 101 issue price, against 1⅛ per cent fees.

Meanwhile, seasoned Eurodollar bonds weakened by around ½ point. The prospect of yesterday's four-year US Treasury note auction weighed on sentiment, while the Bundesbank's move to increase the minimum rate on its latest repurchase agreement to 3.60 per cent, against 3.50 per cent last month, enhanced recent worries of a world-wide trend to higher interest rates.

In the D-Mark market, the Bundesbank's repurchase rate had a slightly negative impact on prices, which softened by around 0.35 points but in low turnover.

CSFB-Effectenbank will launch officially today a DM100m seven-year equity warrants bond for Lindt und Sprüngli Finance, a finance company for the food manufacturer. However, the bond was quoted yesterday in the grey market at 105 compared with a par issue price.

INTERNATIONAL BONDS

The bond carries an indicated 3 to 3¼ per cent coupon and has a seven-year maturity.

Elsewhere, equity-linked issues were dominating Eurobond new issue activity with five new deals emerging. Credit Suisse First Boston led a $75m convertible for Pinnacle West Capital, the holding company for Arizona Public Service, the US utility.

The 15-year par-priced bond carries an indicated 10 to 10¼ per cent coupon, which compares with a 9 per cent yield on the common shares, and the conversion premium will be in the range of 10 to 13 per cent.

In the Eurosterling market, J. Henry Scroder Wagg led a £40m seven-year convertible bond for Mayne Nickless Finance, the UK subsidiary of Mayne Nickless, the Australian transport and freight forwarding company. The deal carries an indicated 6¾ to 7¼ per cent coupon and the conversion premium is indicated in the range of 10 to 15 per cent. Schroder said it was being placed at par.

Three Japanese companies - Maruetsu, the supermarket group, Seino Transportation, and Bridgestone, the tyre manufacturer - all issued five-year par-priced equity warrants bonds. Maruetsu's bond carries a fixed 3½ per cent coupon, while those of Seino's and Bridgestone's issues are indicated at 3⅛.

Bridgestone's bond was led by Yamaichi International (Europe), Seino Transportation's by Daiwa Europe, and Maruetsu's by Nomura International.

Meanwhile, Yamaichi International (Europe) and Nomura International set the coupons at 3⅛ per cent and 3⅞ per cent - the indicated levels - on the $300m five-year, and $200m six-year, equity warrants bonds for Canon launched last week.

In Switzerland, prices were unchanged in quiet turnover. As expected, a SFr100m five-year convertible for National House Industrial emerged, led by Credit Suisse. The bond bears a zero coupon.

● China's Ministry of Finance announced it would be launching an issue in the DM Eurobond market, its first foreign bond since 1949.

The designated lead-manager, Dresdner Bank, said it expected to launch the bond this month but not within the next 11 days, as the Ministry of Finance's statement had indicated. Dresdner was unable to provide an indication of the terms of the issue, which follows a $200m floating-rate note for the Bank of China launched in London last month.

Amex in foreign blue chips venture

BY OUR NEW YORK STAFF

THE AMERICAN Stock Exchange (Amex) is seeking regulatory approval to trade an options contract on an index of 50 foreign blue chip securities

The International Market Index will consist of some of the most heavily traded non-US stocks and American Depositary Receipts on Wall Street. The index will be updated constantly during US trading hours.

Amex said it was waiting for regulatory approval before releasing the components of the index. It added, however, that they would be drawn from the UK, Japan, Hong Kong, Australia, Italy, the Netherlands, Norway, Sweden, Spain and Denmark.

The options contract, the first on a broad international equity, "will give the public investor an opportunity to invest in the international market with limited risk and without concern over conversion of currencies," Mr Kenneth Leibler, Amex president, said.

FT INTERNATIONAL BOND SERVICE

Listed are the latest international bonds for which there is an adequate secondary market.

Closing prices on October 6

US DOLLAR STRAIGHTS	Issued	Bid	Offer	Change on day	Change on week	Yield
Abbey National 7½ 92	200	90	90½	-0¼	-0¼	10.36
All Nippon Air 9⅝ 97	100	90¾	91¼	-0⅛	-0⅞	10.93
American Brands 8⅝ 92	150	94¼	94⅞	[illegible]	[illegible]	[illegible]
A/S Eksportfinans 7⅝ 93	100	87⅝	87¾	-0½	-1¼	10.46
A/S Eksportfinans 7¼ 92	150	89⅝	89⅞	-0⅛	-1⅞	10.42
Belgium 9⅞ 92	400	93½	94	-0¼	-0¼	10.81
British Telecom 7⅞ 96	250	82⅞	82⅞	-0¼	-0¼	10.73

YEN STRAIGHTS	Issued	Bid	Offer	Change on day	Change on week	Yield
Belgium 4⅝ 94	45	90½	90⅞	+0⅛	-0⅜	6.39
[illegible]	40	90⅝	91	+0⅛	-0⅞	6.38
Elec. De France 5⅛ 94	20	93⅝	94⅛	+0⅛	0	6.30
Kansai Electric 4⅜ 94	60	91⅛	91⅞	+0¼	-0⅛	6.21
Norway 4⅞ 92	60	92½	92¾	+0¼	-0⅛	6.15
S.N.C.F. 4⅞ 93	20	93⅝	94⅛	+0⅛	+0⅛	6.20

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Japan cancels October funding

By Stefan Wagstyl in Tokyo

THE JAPANESE Ministry of Finance has cancelled this month's planned issue of 10-year government bonds, its primary source of long-term funds, because of the recent rapid fall in bond prices.

It is the first time the ministry has scrapped a bond sale since July 1984. A senior official said: "The market situation is unstable. It's not just that prices have fallen but also that they are moving so erratically."

In the past month, yields on the benchmark issue, the 89th 5.1 per cent 1996 bond, have risen from under 5.5 per cent to over 6.25 per cent at yesterday's close.

Mr Hiromitsu Shimada, a government bond trader at Nikko Securities, the broker which was leading the underwriting of the October issue, welcomed the Government's decision to cancel, saying it would help restore some order in the market.

But he added that there were still investors with large holdings who could well take advantage of any price recovery to cut their losses.

The cancellation is particularly embarrassing for the MoF because 20 per cent of the October issue was for the first time to be sold in a US-style auction, in a move which was seen as a further stage in the liberalisation of the Tokyo financial markets. The remaining 80 per cent was due to be sold in the traditional way - by negotiation between the ministry and a syndicate led by Nikko Securities.

During several days of tough talks, the ministry tried to persuade the brokers to take the bonds at yields below the long-term prime rate, which stands at 5.7 per cent.

The brokers would not budge, especially after many had faced severe difficulties selling September's offering of Y900bn priced at 4.9 per cent.

Traders say the market is rather confused by the direction of official policy. The MoF is believed by traders to be primarily concerned with keeping up the momentum of domestic economic growth. This is in keeping with Japan's promises to its major trading partners, reiterated last weekend at the meeting of finance ministers of the G5 and G7 groups of leading industrialised countries in Washington.

But the Bank of Japan has recently indicated that it is growing increasingly concerned about the risk of a resurgence in inflation, possibly fuelled by an over-rapid expansion in money supply.

There have been unconfirmed reports that the central bank might raise the discount rate from the current 2.5 per cent, even though Mr Satoshi Sumita, the governor, said in Washington that he had no plans "at present" to do this.

Syndicated loan for Iceland

By Alexander Nicoll, Euromarkets Editor

DEVELOPMENT FUND of Iceland, a state-owned body which channels money for industrial and regional development, is raising $75m through a syndicated loan mandated to Manufacturers Hanover.

The loan is for 10 years, including five years' grace, and will carry an interest rate margin above London interbank offered rates of 17.5 basis points for the first six years and 22.5 basis points thereafter. The commitment fee is 6.25 basis points and management fees range up to 10 basis points for $7.5m.

Separately, Hongkong Bank of Australia has appointed Morgan Guaranty and James Capel Bankers as dealers for a $100m Eurocommercial paper programme.

Rise in US futures volume on Liffe

By Our Euromarkets Staff

FUTURES CONTRACTS based on US interest rates showed rises in volume on the London International Financial Futures Exchange (Liffe) in September, reflecting uncertainty about the direction of US rates following the discount rate increase early in the month.

Trading in US Treasury bond futures rose 40 per cent from August's level to 175,102 contracts and Eurodollar deposit futures showed a 57 per cent rise to 165,658. In the year to date, Eurodollar futures were 47 per cent up but T-bond volume was 16 per cent below the same period of 1986.

Overall, Liffe's volume was 1,197,565 futures and options contracts, worth £414bn and 10 per cent up on August, with long gilt futures accounting for 576,852. The surge in gilt futures volume - 225 per cent up in the year to date - is the principal factor behind Liffe's 97 per cent rise in volume in the first nine months of the year.

George Graham on the problems of the French bond market

Investors in need of a signal

WORDS LIKE "death" and "hell" come rather too readily to the lips of French bond market commentators these days.

"I was pessimistic earlier this year, but the market has exceeded my pessimism by a large margin," says Mr Andre Roquesalane, head of bond market trading at Banque Nationale de Paris (BNP).

With the US market pointing the way to higher interest rates, the French market has taken the hint and gone a stage further.

On the Matif, the financial futures market which now often rules the cash bond market with its notional 10 per cent coupon long bond contract, prices have dipped to 95.15. In its short life, the Matif had never seen prices below 100 until August.

Last week's regular government bond auction saw the 25-year, 8.5 per cent coupon long bond sell at an average yield of 11.27 per cent, up 155 basis points from the last auction of this stock in July.

The steepness of the yield curve - from 7.59 per cent on three-month Treasury bills to 10.63 per cent at 10 years and 11.24 per cent at 25 years - has been causing concern to the Government for some time but shows little sign of smoothing out.

Most striking of all is the yield gap with West German government bonds, which has widened from 270 basis points a few months ago to 360 points today, sometimes pushing as high as 380 points, despite the likelihood that, while French inflation slows down in 1988, West German inflation will accelerate.

Although the International Monetary Fund forecast for 1988 shows France as the weakest in terms of growth among the leading industrialised nations, it still projects that the country will be one of the best performers on inflation.

Other economists hold out high hopes that the French Government will meet its goal of reducing its inflation gap with West Germany.

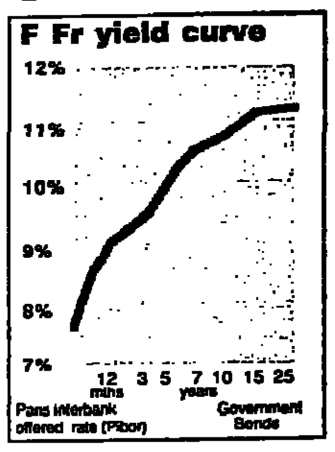
"The big rise in yields does not seem justified by longer-run fundamentals. There is no reason why the French market cannot sell on a discount to US Treasury bonds, rather than a premium. We are recommending a switch from West German into French government bonds," says Mr Keith Skeoch, chief economist at London broker James Capel.

If there are many in Paris who share this bullish analysis, no-one seems willing to make the first move. Long-term investors, badly burnt by the sharp rise in rates so far this year, need a concrete signal before they are ready to plunge back into the market.

"The pilot market is the Matif, and I am not sure that the Matif is in the hands of people who reason in terms of economic fundamentals," says one dealer.

Outside the hothouse of the Paris financial markets, the French individual investor appears to be taking a calmer view.

A recent bond issue by Credit Foncier, the state-controlled property financing institution, was entirely placed over the bank counter with private investors at a rate of 10.3 per cent, significantly below the government bond rate.



Although the respected newspaper, Le Monde, muttered darkly of "trickery," the placing highlighted a problem the French bond market has been facing as it comes to grips with the French Treasury's thoroughgoing reform of its financing mechanisms.

The Government - followed now by some parastatal institutions including, ironically, Credit Foncier - now uses the auction system for all of its funding requirements, putting an end to the commissions and advertising that used to ensure that state bonds were firmly placed with individual investors.

With institutional investors now expecting to be supplied with stock at close to the auction average, there remains little room for dealers to make a profit with their traditional clients. Some adaptation appears necessary.

In the short term, the market's position is worsened by the surplus of long paper now held by many short-term treasury funds, which could face substantial withdrawals in November as the corporate tax season opens. This overhang has strengthened the view of those who believe the French bond market is not in for any significant recovery in the near term.

Canadian banks win US underwriting concession

BY DAVID OWEN IN TORONTO

CANADIAN free trade negotiators appear to have opened a chink for Canadian banks in the US Glass-Steagall Act by securing an agreement to allow Canadian banks to underwrite Canadian government securities in the US.

The Act, which mandates a separation of commercial from investment banking activities in the US, has been the source of headaches for Canadian banks, which have snapped up holdings in Toronto stockbroking firms with their own US operations in the wake of Canada's financial deregulation.

Canadian federal and provincial governments have been heavy borrowers in the US bond market in recent years, leading observers to suggest that the agreement will prove a useful and important one for Canadian banks.

However, Mr Robert McIntosh, president of the Canadian Bankers' Association, warns that the move may be of limited usefulness. "Most Canadian banks regard that type of business as of rather marginal profitability," he says.

While the commitments undertaken in the free trade pact announced at the weekend fall well short of full reciprocity in financial services from the Canadian viewpoint, the US has also agreed to treat Canadian financial institutions like their US counterparts "with respect to any changes in the Glass-Steagall Act governing the relationship between the banking and securities industries."

"Canada agrees that US nationals and US-controlled companies will receive treatment as favourable as persons of Canada with respect to the ability to purchase shares of Canadian-controlled financial institutions," the Government said in its summary of the deal.

MoF to ease insurance group investment rules

THE JAPANESE Ministry of Finance is expected to allow life assurance companies, possibly from next year, to use capital gains on stocks and bonds to pay policy dividends, Reuter reports from Tokyo.

Fund managers at several life companies said the move would mean a radical change in how and where the industry invests its huge volume of funds. The Japan Life Insurers' Association estimates net assets of the 24 biggest life insurance companies at Y65,317bn as of March this year.

"We have started to review article 87 of the insurance business law, which forbids life assurers to use capital gains on normal portfolios to pay dividends," said an official of the MoF banking bureau's life insurance section. However, no change in interpretation of article 87 has yet been made.

If there is a change, "massive withdrawal of Japanese money from high coupon but illiquid foreign bonds with high currency exchange risks is unavoidable," said a fund manager of a leading Japanese life assurance firm.

Withdrawal from special money trusts offered by trust banks - called tokkin - is also expected, according to fund managers.

Under the current system, life assurers are forced to invest heavily in and hold tokkin and high-coupon foreign bonds, using the income from these to pay dividends.

"It would still be unrealistic to load all of our funds into speculation, but we cannot see much reason to be hooked on to high coupon bonds or tokkin if the rules are changed," said Mr Ichirou Hayashi, general manager of Nippon Life Insurance's fund management office.

Insurers have been actively using tokkin to get around the current system and produce higher dividends.

UK COMPANY NEWS

Strong footwear growth boosts Sears to £93.3m

BY DAVID WALLER

Sears, the UK's largest retail group in which the Australian entrepreneur Mr Robert Holmes a Court holds an 8.2 per cent stake, yesterday announced interim pre-tax profits up by 15 per cent despite difficult trading conditions.

Although the £12.2m increase in pre-tax profits to £93.3m was in line with City expectations, the results for the six months to the end of July were greeted with disappointment.

Analysts complained about the absence of detailed financial disclosure and a generally unexciting profits performance from the group whose interests span from Selfridges and Lewis's to Dolcis and Freeman Hardy Willis.

Mr Geoffrey Maitland Smith, Sears' chairman and chief executive, said that Sears was not alone amongst the retailers in experiencing increasing competitive trading conditions in the first half. "Like other companies, we have been living on a knife edge," he said, "and you just can't relax. But it's great fun."

He said that he did not think that Mr Holmes a Court's intentions were to make a bid for Sears, but was more likely to be looking for a dealing profit on his investment. He confirmed that Sears had had no further communication with Mr Holmes a Court since his 8.2 per cent stake was disclosed on August 28.

Of total operating profits of £83.4m (£78.5m), achieved on turnover of £1.1bn (£1bn), the strongest growth came from footwear retailing, which includes Saxone, Dolcis, and Freeman Hardy Willis. Margins and volume improved in this recently restructured division, leading to a 23½ per cent in profits to £35.1m.

Turnover was undisclosed, but European sales grew by 8 per cent while sales in the US were up by 2 per cent.

Stores, fashion and specialty retailing - incorporating, amongst others, Selfridges, Lewis's, Mappin & Webb and Millets -made profits of £22.8m, against £19.6m in the comparable period last year.

Profits from licensed betting - predominantly those of William Hill - declined by £1.2m to £12.5m. Mr Maitland Smith said that this gave no cause for concern as the first half last year was exceptionally buoyant.

Housebuilding and property investment profits rose from £11.7m to £13.0m, reflecting excellent trading conditions in the Home Counties. Completions should amount to 1100 houses by the end of the financial year, against 900 last year.

Interest income was £400,000, against a charge last year of £6.1m. Earnings per share advanced 17 per cent to 4.1p, and the interim dividend was raised by 35 per cent to 1.35p per share.

See Lex

FT group pays £10m for online information

By Raymond Snoddy

THE Financial Times group has bought the online information business of Datasolve, Thorn EMI computer services company, for £10m.

The move represents a major increase in the FT's involvement in electronic publishing.

Datasolve Information Online has about 2,500 direct subscribers, with several thousand others accessing its 800m-word database through gateways, and claims it is the UK market leader.

The company is best known for World Reporter, which gives access to the full text of newspapers and magazines, including the FT, and MAGIC, a service specialising in information for the advertising and marketing industries.

There will be an initial cash payment of £1.2m with the remainder linked to revenue generated by the business over the next 3½ years.

Mr Frank Barlow, chief executive of the Financial Times group, said yesterday the acquisition would allow the FT to take more initiatives in the area of electronic publishing.

"Together with existing and other planned ventures it provides a platform for dramatic growth in this strategically vital area. This is a logical expansion of our existing paper-based and electronic information service," he said in a statement.

During the recent controversy surrounding Mr Rupert Murdoch's acquisition of nearly 15 per cent of Pearson, the conglomerate that owns the Financial Times, some commentators suggested the group had been relatively slow in exploiting the database potential of its information.

The company said yesterday the Datasolve Online acquisition, which has been negotiated for several months, signalled a planned expansion of FTBI's exploitation of electronic opportunities. This included, in the near future, the integration of share price and company financial information with the present full text service.

Alice Rawsthorn on the uncertain outlook for Empire Stores

An imperial change of strategy

IN 1831, Mr Antonio Fattorini, who had come to Britain after the Napoleonic Wars as an immigrant from Northern Italy, forsook his career as a travelling pedlar and market stallholder to lease a small lock-up shop in Leeds.

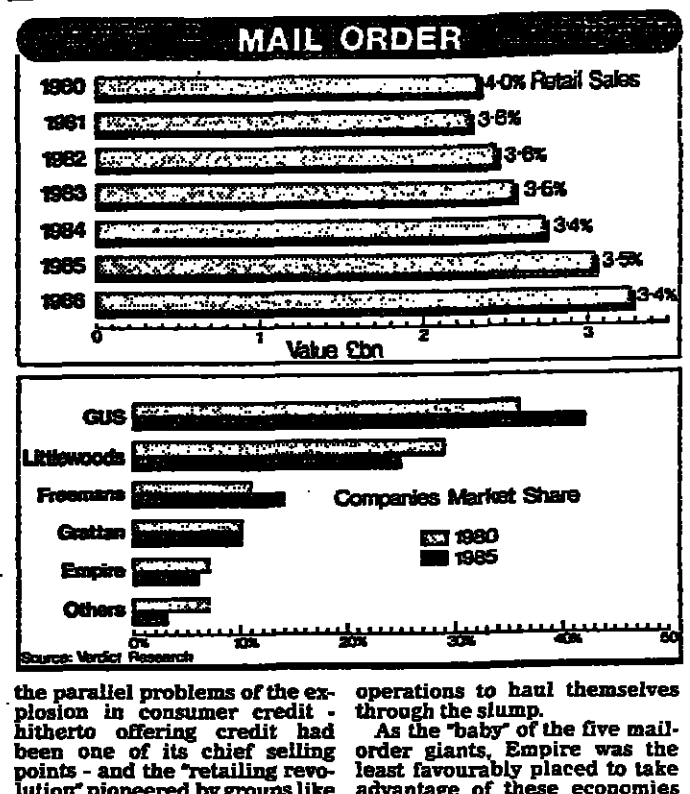
The lock-up shop laid the foundations for **Empire Stores**, one of the five giants which bestraddle the £3.3bn mail-order industry. Yet today Empire is under siege. Last week it unveiled a disastrous set of interim results and the only remaining director from the Fattorini family resigned. The share price plunged on the announcement but has soared ever since, as Empire has become embrolled in bid rumours.

Takeover talk is scarcely a novel phenomenon to Empire Stores. In 1982, the board negotiated an agreed merger with Great Universal Stores, the colossus of the mail-order sector, only to see it scuppered by the Monopolies & Mergers Commission. The board then spurned the Sears Group, only to see it sell its holding to the ubiquitous Mr Robert Maxwell.

The current roll call of potential predators embraces Next, which is developing its mail-order interests through its recent merger with Grattan; the Burton Group, which already liaises with Empire in merchandising; and even GUS.

Empire, like most of the other mail-order houses, flourished in the 1960s and 1970s as the living standards of its core customers - the conspicuous consumers of the working classes - rose. But these same working-class customers bore the brunt of the economic recession of the late 1970s and early 1980s.

The industry suffered from the parallel problems of the explosion in consumer credit - hitherto offering credit had been one of its chief selling points - and the "retailing revolution" pioneered by groups like Next and Burton which left mail order looking distinctly dull by comparison.



Many of the small mail-order companies collapsed. The bigger groups hauled themselves out of the doldrums by getting to grips with bad debt problems, cutting costs and using computerisation to improve stock control. Moreover, the large groups could rely on the economies of scale inherent in their huge operations to haul themselves through the slump.

As the "baby" of the five mail-order giants, Empire was the least favourably placed to take advantage of these economies of scale. Similarly, its customer catchment - the least affluent of the "big five" - suffered particularly badly in the recession and left it with a prolonged bad debt problem.

Empire has also been burdened by what one analyst called "the absence of decent leadership or strategic direction". So it was much slower in implementing the adminstrative changes which steered the rest of the sector to recovery in the mid-1980s: cutting costs, introducing direct sales to complement their agent networks and improving stock control.

These changes are now in place and Empire's profit margins have improved accordingly. But the group has been similarly slow in adopting the new marketing ploys - sharper presentation, use of promotional leaflets and new catalogue concepts - which have buoyed its competitors.

Earlier this summer Empire recruited a new managing director - Mr Michael Harris, who was drafted in from GUS - charged with a brief to tackle its problems. Mr Harris is now in the throes of what Empire has called a "thorough review" of the business. But he has already taken action by closing two of the three loss-making specialogues, or specialist catalogues, and appointing Mr John Maile, a former colleague at GUS, as marketing director.

Any potential predator for Empire would need to convince the shareholders that its plans for the company, now capitalised at more than £100m, would be better than those of the new management team. It would also face the obstacle of the share structure. Three investors - Vendex and Gecos, the Dutch and Italian retailing groups, together with GUS - collectively hold the bulk of Empire's equity.

Any bid would be unlikely to succeed without winning the agreement of at least two of these three shareholders. As one analyst put it: "Whether Empire can remain independent in the long term is one question; whether Vendex, Gecos or GUS will be prepared to sell now is quite another".

L and M raises its mortgage lending by 24% to £260m

BY NICK BUNKER

London and Manchester Group, Exeter-based home service life assurance group, has increased its interim dividend by 18.4 per cent to 2.77p per share, and reported a 24 per cent increase in its home mortgage lending portfolio, which now stands at £260m.

And the group said it was confident that for the full year the dividend would exceed the 7.16p paid in 1986.

Mr John Thomson, group chairman, also confirmed that it has signed 100 independent life assurance intermediaries as "appointed financial advisors" who will sell the group's products exclusively.

The move is in response to the 1986 Financial Services Act. The Act's tighter regulation of marketing practices is widely expected to lead to a contraction in the number of independent intermediaries.

Yesterday's interim dividend announcement followed news of a 9 per cent downturn in new annual premiums in the industrial and ordinary branch life business. The group said the results were undoubtedly affected by the final stages of implementation of a new structure for the group's field sales force.

It added, however, that there was a 51 per cent increase to £23m in its single premium business. Also, for its life broker division, which sells via independent intermediaries rather than the group's direct sales force, new annual premiums grew 32 per cent to £4.9m, while new single premiums were up 22 per cent at £17.6m.

•comment

A long, steep ramp of takeover speculation lifted L and M's shares 168p from this year's low to a high point of 368p: and perhaps yesterday's dip was another sign that the party is over, unless something happens soon to crystallise the market's expectations of a bid. The group has strengths. It has found a home service door-to-door field force an effective spearhead for mortgage lending: an indication that the working class market in which home service insurers have their roots is a more solid base than fund managers from the Home Counties may think. Its signing up of 100 brokers as tied agents shows its awareness that the future battle for the UK's savings market will really be a battle for channels of distribution. But at these price levels, assuming a total dividend of 8.5p, the group's prospective gross dividend yield has slipped back to 3.3: other pure life stocks could be better value.

Savage trebles to £2.3m after purchases

BY FIONA THOMPSON

Savage Group, the international DIY and hardware group, yesterday announced pre-tax profits which have almost trebled from £802,000 to £2.31m for the year ended June 30, 1987. Sales rose 83 per cent to £18.42m against £10.05m last year.

Mr David Stephens, finance director, said yesterday," the underlying shelving business has continued to grow, the acquisitions of the past year have been integrated very successfully and the overseas operations have continued to improve."

The shelving side of the business represented 70 per cent of turnover, a figure expected to drop to 33 per cent this year following the £8.8m acquisition of DC Services, the electrical products distributor, in August, and the £3.78m purchase in April of Douglas Kane, supplier of bath sealing and tile-edging strips.

The tax charge was £810,000 compared with £285,000 last time. Earnings per share more than doubled from 7.8p to 15.7p and the directors have proposed a final dividend of 3.0p (0.5p), bringing the total for the year to 4.5p, against 0.5p last year. The company has also proposed a 1-for-1 bonus issue.

•comment

Savage has stated that its aim is to become a major player in the European hardware market and these figures indicate it is certainly on the right track. Acquisition hungry, it bought six companies in the last financial year, one so far in this - its most expensive, DCS - and has no plans to let up. Targetting both the UK and Europe, its ideal companies are those selling low tech, niche products - a huge market, when you consider that the B&Q group, for example, lists 30,000 items. The company has a strong management team and its confidence in reaching its aim seems justified. After some profit talking, the share price closed at 615p yesterday, down 15p. The City, looking to see the full benefit of the more recent acquisitions, is forecasting pre-tax profits for this year of £5.7m. This produces a prospective p/e of 24, fair value given the growth prospects.

Tribble Harris in £3.5m deal

BY CLAY HARRIS

Tribble Harris Li, the US architectural and design company quoted on the USM since last December, yesterday agreed to buy London-based Covell Matthews Wheatley Architects for up to £3.5m in shares. The acquisition is the first of a British practice by a US company.

Tribble also launched a one-for-four rights issue at 150p to raise £4.3m for working capital and further US acquisitions. Its shares were unchanged at 180p.

Mr Joseph Harris, Tribble's London-based president, will become an executive director of CMWA, recent City projects of which include the Midland Montagu building at Billingsgate and Ropemaker Place, headquarters for Merrill Lynch Europe.

"Together we'll be stronger than either of us would be independently," he said yesterday. The UK accounts for all of CMWA's £5m annual turnover, while most of Tribble's £10m arises in the US.

Mr Peter Denner, CMWA chairman, described the two practices as "kindred spirits in our approach to design." There was increasing demand among developers and corporate clients for a fusion of US and British design, computer technology and experience with large-scale projects, he said.

In addition to five-year service contracts with performance-related provisions, CMWA's five partners will initially receive 263,155 shares, worth more than £470,000 at market price. Allocation of additional shares, up to the £3.5m limit, will be based on twice the after-tax profits in the three years to November 1990. For the first 12 months of that period, CMWA has warranted after-tax profits of £450,000.

In the year to March 31, CMWA paid no tax on profits of £504,000. The maximum payment represents an exit p/e of only 7 compared with the prospective 26 at which Tribble shares are trading.

The price was depressed by the net liabilities of £1.86m which CMWA was showing at the end of its last financial year - a result of a previous period of too rapid expansion, according to Mr Denner. The process of wiping out this deficit would be completed by the acquisition.

For the six months to May 31, Tribble reported pre-tax profits of $623,000 (£388,000) on turnover of $7.94m. The company's executive directors, all US citizens, are prohibited by US law from subscribing for the rights issue. Their aggregate holding will fall from 67 per cent to 52 per cent as a result.

Alastair Morton quits GPG

By Hugo Dixon

MR Alastair Morton has resigned as chairman of Guinness Peat Group, fulfilling his promise to resign once Equiticorp's bid for the financial services group became unconditional.

Six non-executive directors of group have also offered to resign and their resignations are expected to be accepted.

Equiticorp, which holds 58 per cent of Guinness Peat, is looking for a British resident to replace Mr Morton.

Mr Robert Maxwell, who holds 15 per cent of Guinness Peat, said yesterday that he regarded his stake as a long-term investment but would not join its board.

Aurora gains control of Hampton Trust

Aurora Group, the New Zealand property developer and investment company 78 per cent owned by Equiticorp, has gained majority control of Hampton Trust, the UK property and gold investment group.

ANZ Merchant Bank, handling the £100m takeover bid, said that market purchases had raised its holding on behalf of Aurora to 12.16 per cent. Aurora has already received irrevocable undertakings from holders of 40.71 per cent of Hampton shares.

Aurora has said it intends to retain a 60 per cent stake in Hampton with any shares above that level to be placed by ANZ.

Ash & Lacy rises to £1.65m

Ash & Lacy, maker of perforated metal, steel cladding and galvanisers, boosted taxable profits by 16 per cent in the six months to July 3. On turnover ahead from £16.77m at £18.73m, profits rose from £1.42m to £1.65m.

The directors lifted the interim dividend from 11p to 12p and after tax of £618,000 compared with £660,000 last time, earnings per ordinary share moved up from 17.9p to 24.4p.

Mr Fane Vernon, chairman, said that three of the four group activities had continued the growth which they had shown in recent years. Galvanising, perforating and expanding metal and other products, and non-ferrous metal and stainless-steel stockholding had each returned a strong contribution to group profit and an increase over the previous year.

He said the company had taken further steps to widen the base and improve the performance of its fourth activity, steel products. The new factory of Huurral, its joint venture with Huurre Oy of Finland, was opened in July. It had also bought Prince Cladding and Prince Construction in March and Bell Contract Installations in July. These three companies and Huurral were expected to contribute to an improving performance by Ash & Lacy Steel Products in the future.

In May, the company bought Plymouth Galvanizing for £190,000cash and Mr Vernon said that it was actively pursuing a number of other possible acquisitions.

Rowntree buys Richoux restaurants for £5.2m

BY LISA WOOD

Rowntree, the York-based confectionery group, has bought the six-branch strong Richoux restaurant business for £5.2m. The deal will be paid for in cash and new Rowntree shares.

The deal is Rowntree's first venture into the restaurant business but fits into its strategy of developing focused food retailing concepts such as the Original Cookie Company.

Rowntree said Richoux operated high class restaurants which specialised in light meals and traditional English dishes. Inthe year to September Richoux made profits of about £300,000 on sales of £3.2m. Richoux will continue to be run by Mr Alan da Costa, founder of the chain, and his son Mr Michael da Costa.

Mr Nicholas Nightingale, a Rowntree director, said Rowntree intended to quickly expand the number of Richoux outlets and hoped to triple profits in three years.

New London Oil

New London Oil, the US oil company listed in London, announced yesterday details of a £6.7m share placing to finance the acquisition of KenCope Energy Companies, an oilfield services group quoted on NASDAQ.

The share placing will be subject to claw back from New London's existing shareholders on a one-for-three basis at 45p a share.

Yearlings

The interest rate for this week's issue of local authority bonds is $10\frac{7}{16}$ per cent,showing no change from last week, and compares with 11 per cent a year ago.The bonds are issued at par and are redeemable on October 12 1988.A full list of issues will be published in tomorrow's edition.

Ward up to £1.98m and looking for acquisitions

Ward Group, steel building-components manufacturer, lifted pre-tax profits from £1.6m to £1.98m in the first half of the year, its first full six months since gaining a full listing last November. Turnover jumped from £26.12m to £34.47m.

The directors declared an interim dividend of 1.5p. Last year Ward paid a total of 1p. After higher tax of £711,000 (£617,000), earnings per 5p share rose from 5p to 5.8p.

Mr Wilfred Ward, chairman, said that the company was continuing to look carefully at potential acquisitions which would help fulfil its long-term strategic aims. It was confidently expected that the current trading performance would ensure that 1987 would be another successful year and new activities underway or planned would provide foundations for future growth.

Mr Ward reported that all parts of the group contributed to the improvement with the Atlas businesses in Europe, Sucometal in France and the UK-based companies all performing well.

Operating profit was £1.66m (£1.57m); gain on the sale of investments totalled £104,000 (£155,000); interest received less that paid amounted to £215,000 (£127,000 debit); and attributable profits were up at £1.26m (£985,000).

Micro back to interim profit

Micro Focus, the computer software house, announced its first interim pre-tax profit since 1984 yesterday, notching up a figure of £124,000 compared to a £482,000 loss in the first half last year.

The result confirms the signs of a recovery indicated when the group reported a profit of £153,000 in last year's second half. Micro Focus was a stock market favourite until May 1985 when it announced full year profits of £721,000 compared with expectations of £4m plus - causing the shares to fall 56 per cent in one day.

Net revenue for the six months to July 31 rose from £5.65m to £6.97m, thanks largely to a doubling in the sterling value of sales in Japan and a 26 per cent increase in the US. Both rises were slightly higher in local currency terms.

The group received a boost in April when it was announced that its version of the computer language COBOL had been chosen by IBM for its new personal computer. The benefits of the new package should begin to be seen in the second half but should flow through fully next year.

The company is also now able to adapt the COBOL/2 for other manufacturers' hardware, including the new Reduced Instruction Set Computers (RISCs).

Mr Paul O'Grady, the chairman, said that the prospects for the rest of the year looked good. After tax of £95,000 (credit £12,000) and minorities of £17,000 (£28,000), earnings per share were 0.1p (loss 4.1p). The company has never paid a dividend.

Analysts are looking for pre-tax profits of £1m at the full year stage.

ATA makes up lost ground

ATA Selection, the USM-quoted recruitment consultancy, has more than made up the ground lost a year ago with a record interim pre-tax profit of £337,000 for the six months to June 28 compared with the depressed £89,000 for the corresponding period of the previous year.

The results have been prepared on a merger basis of accounting. Broadcastle Finance, the instalment credit group acquired in May, came in with a six months contribution. For the year to June 28, Broadcastle produced a profit of £288,000 compared with a forecast of £235,000.

Mr Simon Greenly, chairman, said the aim was to develop in three areas of operation; human resources, financial services and corporate communications. Human resources, the core business, is now well set for expansion. The interim dividend is raised from 0.6p to 0.7p.

Turnover rose from £1.79m to £2.05m; tax took £119,000 (£61,000) leaving attributable profits of £218,000 (£28,000) for earnings of 1.82p (0.23p)

Albert Martin moves up 21% and launches £5.1m cash call

Albert Martin, Nottinghamshire-based clothing group which supplies Marks and Spencer, reported taxable profits up by 21 per cent from £525,000 to £636,000 on turnover ahead more than 22 per cent at £23.18m in the first half of the year.

It also announced a £5.1m underwritten rights issue designed initially to reduce net borrowings and to allow pursuit of investment projects without restricting financial flexibility.

The have directors declared an interim dividend of 1.4p - up from last time's 1.3p. After increased tax of £134,000 (£106,000), earnings per 20p ordinary share remained unchanged at 3.8p.

Mr Michael Kidd, executive chairman, said that in the UK the company's underwear and leisurewear business made further excellent progress while an improved profit was also achieved from distribution of imported merchandise. Margins on knitted outerwear, however, were under considerable pressure and this had impacted on the overall results. Profits from overseas operations were significantly higher than 1986, with benefit being derived from the new Macau factory opened last autumn.

Operating profit in the UK amounted to £594,000 (£592,000) on turnover of £20m (£16.76m) and in the Far East to £402,000 (£231,000) on £3.18m (£2.15m).

Mr Kidd said that Martin was now well positioned to continue its growth, with a number of investment projects proceeding or under active consideration.

The issue of shares on the basis of three for every ten held at 145p each would virtually eliminate borrowings at December 31 1987, giving the company a strong base from which to progress in 1988. At the time of the seasonal working capital peak in 1987 borrowings had totalled about 75 per cent of shareholders' funds. He said that the company expected to be able to at least maintain last year's final dividend of 2.6p on the enlarged share capital.

He reported that the expansion of the group continued with ongoing investment necessary to increase production capacity and efficiency. Significant development was being planned for the future, which would give the opportunity for continued growth.

Mr Kidd said that with the present strong demand from customers and the resources of business in general he felt sure that this could be achieved.

British Fittings in £3.5m buy and makes £6.7m rights issue

British Fittings Group, Birmingham-based stockholder and industrial equipment distributor, is planning to expand with a £3.5m acquisition and £6.65m rights issue. The moves were announced at the same time as reporting a 24 per cent advance in interim pre-tax profits.

Fittings, formerly Astbury and Madeley (Holdings), is buying **Harben Systems**, maker of high pressure water technology products. The consideration is being satisfied by £350,000 cash and the balance by the issue of 1.23m new shares, representing 11.6 per cent of the enlarged capital.

In 1986 Harben achieved pre-tax profits of £94,000 on turnover of £3.44m. For the first six months of this year the pre-tax figure had risen to £250,000 and the directors have warranted that £600,000 will be achieved in 1988.

Directors said that the plant and tool hire division of Fittings had expanded rapidly in recent years mainly related to Harben products. In 1986 the hire subsidiary of Harben was acquired followed by the purchase this year of Harben Pumps (Scotland).

The rights issue involves the issue of 7.04m convertible preference shares at 100p on the basis of three convertible for every four ordinary held. It is being underwritten by Smith Keen Cutler who are also brokers.

The shares will be convertible between 1992 and 2007 on the basis of 30 ordinary shares for 100 convertible.

The cash is being used to repay borrowings and further working capital. Directors said that in the past three years about £3.15m had been spent on acquisitions and the purchase and improvement of freehold premises. A recent revaluation of the group properties showed a value of £4.57m compared with book value of £4.19m.

In the six months to the end of June 1987 Fittings reported pre-tax profits of £1.25m (£1.01m) on turnover up by 29 per cent to £17.3m (£13.4m). Earnings per 20p share were 8.66p (6.77p) and the interim dividend is being raised to 1.375p (1.25p).

UK COMPANY NEWS

Norfolk ponders £617m US hotel bid

By David Waller

Norfolk Capital, the acquisitive hotelier, confirmed yesterday that it is seriously considering making a bid for the Westin group of hotels in the US. Industry analysts said that the bid for Westin was unlikely to be for less than $1bn (£617m) - compared with Norfolk's own market capitalisation of about £175m.

Westin is a subsidiary of Allegis Corporation, which sold Hilton International last month, and Hertz last week, for a total in excess of $2bn. Westin's portfolio of 66 hotels - including the New York Plaza - was put out to tender a month ago by First Boston, the US investment bank.

More than 50 parties expressed an initial interest, but the list has now been whittled down to about 15 - including Norfolk - following examination of preliminary financial data.

Mr Peter Eyles, Norfolk's managing director, said yesterday that on the basis of the figures seen so far, the acquisition of Westin would enhance Norfolk's earnings and assets per share.

He said that Morgan Grenfell, Norfolk's financial adviser, had indicated that a leveraged bid would be possible, whereby borrowings to finance the purchase would be secured on Westin's assets.

Blenheim up 60p to 830p

Shares in Blenheim Exhibitions, the conference and exhibition group, rose 60p to 830p yesterday after it announced the acquisition of PEL for up to £6.24m.

Blenheim will be capitalised at more than £87m on completion of the deal, over 15 times the £5.7m it was worth when it joined the USM last October with shares at 95p.

PEL, Blenheim's fifth acquisition, promotes and organises exhibitions on topics including distribution, transport, forecourt merchandising and business sponsorship. Nacar Exhibitions, PEL's 60 per cent owned subsidiary which will be owned fully by Blenheim under yesterday's deal, organises shows on forecourt marketing and meal management.

Blenheim is paying £2.69m initially, to be paid by the issue of 384,000 shares which are available to shareholders under a clawback arrangement. Further payments of up to £3.55m may be made depending on profitability. PEL has warranted profits for the year to next June of £520,000. At that level the maximum consideration would be £4.5m and the exit p/e multiple 13.

Blenheim says it made pretax profits of at least £1.43m in the year to last August end, against £502,000 the previous year. Earnings are share were at least 12p, a rise of 85 per cent.

Guinness to sell US wineries

Guinness, the drinks group, said yesterday that it was putting up for sale the US wine producing and marketing assets of Somerset Group, its large American distribution offshoot.

The businesses being sold - either individually or as a package to interested buyers - have combined sales of about $20m (£12.25m). They comprise two California wineries - the San Martin and Concannon vineyards - as well as the Barbarella and Boucheron import wine brands and Somerset Vintage Cellars, the wine sales and marketing arm of the Somerset group.

Guinness said the sale was consistent with the new global strategy outlined earlier this year by Mr Anthony Tennant, chief executive, to concentrate resources on the development of the group's international spirits and brewing businesses.

TSB shareholders

TSB Group shareholders who have not paid the second 50p instalment for their shares by October 23 will be disenfranchised, the group said yesterday.

So far 90 per cent of shareholders, accounting for £600m out of the £680m due, have paid the second instalment. In order to ensure that the remaining shareholders have no excuse for not paying, TSB is sending out 20,000 recorded delivery letters with a final reminder in them.

Reebok/Pentland

Reebok International, the 37 per cent owned subsidiary of Pentland Industries, has estimated record net sales for the third quarter to end-September of $408m (£251.23m), 41 per cent higher than last year's total of $289m.

Net income is estimated at $49m ($45m) or 43 cents per share, (42p), adjusted to reflect a two-for-one stock split on August 25.

Telephone Rentals pays £18m for distributor

BY RICHARD TOMKINS

Telephone Rentals, the telecommunications equipment group, yesterday reported an 18 per cent increase in profits from £8m to £9.45m for the six months to June and announced the acquisition of V Band, a distributor of dealer board systems to UK financial institutions.

The £18m acquisition is being funded through a placing of 6.9m new Telephone Rentals shares with institutional investors at 260p a share by merchant bank Kleinwort Benson. Telephone Rentals' existing shares closed 1p up at 272p.

V Band is the sole UK distributor of dealerboards made by V Band Corporation of the US. It is said to have about 20 per cent of the UK dealerboard market and its clients include banks, stockbrokers and insurance companies.

The company made pre-tax profits of £1.7m on turnover of £10.7m in the year to October 1986. In the current year, pre-tax profits have shot up to £3.26m on turnover of £10.5m in the nine months to July because of the exceptionally high level of activity in the City produced by last autumn's Big Bang.

Telephone Rentals acknowledges that this level of activity is unlikely to be sustainable in the short term, but it is confident of long-term growth in the company's sales to financial institutions in the City and the rest of the UK.

Turnover for the group as a whole rose from £46.2m to £53.3m. After a tax charge up from 38.2 per cent to 38.6 per cent, earnings per share rose by 15.5 per cent from 5.99p to 6.92p. An interim dividend of 3p (2.75p) has been declared.

Chairman Sir Charles Ball said UK pre-tax profits rose by 18.9 per cent as margins on sales improved and the benefits of three years' investment in rental installations began to come through.

Overseas profits rose by 13.7 per cent with improved results from France and South Africa and break-even in the US and Australia. The group's position in Canada had been strengthened through the purchase of two more companies

• comment

Telephone Rental's purchase of V Band ranks among the bargains of the year at first sight: assuming £4m pre-tax for the full year, the acquisition comes on an exit price/earnings multiple of 7. The catch is that TR will only see the last quarter of this profits bonanza before V Band slips back into a more characteristic contribution next year around the £2m mark, so leaving the group struggling to avoid dilution of earnings. The City is looking for £21m overall this year, putting TR's shares on a prospective p/e multiple of nearly 18. A figure that high seems to take a lot on trust about the speed with which synergistic benefits can be wrought from V Band's merger with the rest of the group - and, indeed, about the resilience of demand for dealer board systems in the event of a bear market. Meanwhile the bid rumours lose credence with every year that passes without the emergence of a suitor.

Usher rises 20% in first half

BY ALICE RAWSTHORN

Frank Usher Holdings, the fashion house which is quoted on the USM, yesterday unveiled a 28 per cent increase in pre-tax profits to £890,000 for the first half of the financial year.

In the six months to July 31, the company's turnover rose to £6.5m (£4.8m) reflecting healthy sales growth in both its domestic and overseas markets. Frank Usher now gleans 45 per cent of its turnover overseas, principally from West Germany, Canada and the Benelux countries.

Operating profits increased to £911,000 (£778,000) in the interim period. Interest deducted £21,000 (£84,000) and taxation £312,000 (£230,000). Earnings per share rose to 8.1p (7.2p) and the interim dividend is increased to 2p (1.5p).

Frank Usher went public last year. The flotation was staged shortly after the Bruh family, which founded the business, bought it back from Stormgard, the textiles holding group.

In the first half the company completed a move to a new headquarters in Hendon, North London. Its showroom and design rooms have remained in its former West End premises.

Mrs Anne Bruh, managing director, said that the group has enjoyed healthy sales growth in the first half. The newspring/summer 1988 collections had, she said, been well received and the level of orders is expected to increase compared with the same season this year.

Similarly the new Dusk collection - launched last year as a younger, less expensive range with its own design and marketing team - is faring well. Dusk should make its first contribution to group profits in the first half next year.

Frank Usher is now evaluating proposals to market its collections in the US, through a franchising agreement with a US clothing manufacturer. In the longer term it is considering the feasibility of expansion into retailing.

Hollis in C$18m Canadian bid

BY CLAY HARRIS

Hollis, the engineering and professional services company controlled by Mr Robert Maxwell, yesterday announced a cash offer for Vancouver-based Columbia Computing Services which values the leading North American supplier of microcomputer software for schools at C$17.8m (£8.4m).

The C$5¼ per share bid has been recommended by CCS directors who will accept on behalf of their aggregate shareholdings of more than 30 per cent. In early trading yesterday in Toronto, CCS shares were quoted at C$5¼.

Hollis said the acquisition would enable its E.J. Arnold subsidiary, the UK school equipment supplier and educational publisher, to expand in North America.

CCS develops and sells software used in educational administration, including class scheduling, attendance records and school reports.

In the year to March, it reported pre-tax profits of C$800,000 on sales of C$6.7m. Its products are installed in 2,000 schools in nine Canadian provinces, 45 US states and 23 other countries.

CCS would become part of the financial and professional services division which Hollis plans to spin off to its shareholders with a separate listing.

Quarto profits lower

Quarto Group, USM-quoted creator and marketer of high-quality illustrated books which is incorporated in the US, saw taxable profits fall from £368,000 to £336,000 in the first half of 1987. Turnover rose from £3.97m to £4.17m.

The directors declared a gross interim dividend of 1.5p (nil) and after tax of £110,000 (£130,000), earnings per share fell from 3.6p to 2.7p.

They also announced a one-for-four rights issue to raise £2.5m. The bulk of the sum raised - £1.5m - would be used to fund the acquisition of two trade and technical magazines, Construction Industry International and International Mining, while the balance would be used to finance further expansion and enable the group to respond to the development opportunities available. It is issuing 1.9m new shares of common stock of par value US$0.10 at 136p each on the basis of one for four.

Mr Laurence Orbach, chairman, was looking forward to the second half with confidence. Quarto was launching the first range of its concept gift kits in stores.

He said that in the first half sales were only marginally ahead of the corresponding period last year, reflecting a drop in turnover on the book packaging side and increased sales in other activities.

In the early part of the year sales were soft in the UK, picking up only in late spring. But the acceleration had been rapid and he expected to deliver a record number of books this year. Forward orders and new title output have never been higher; sales were buoyant and for the full year were expected to exceed comfortably those of 1986.

Philip Coggan on P E Kemp Holding's Third Market debut

Raising the first-night curtain

ENTER, stage left, a "theatrical" engineer, clad in hose and hard hat. It is a tantalising image but in real life, theatrical engineers like Mr Peter Kemp are not quite so flamboyant. They are the people who turn the designer's fancies into the wooden solidity and mechanical wizardry of the stage set.

This week, Mr Kemp's company, P E Kemp Holdings, is making its debut on the Third Market. Since the company was founded in 1969 by Mr Kemp and his partner Mr Denis Lee, it has been involved in many big name productions.

The boat that rocked in Mutiny? That was built by P E Kemp. The barricade thrown up by the revolutionaries in Les Miserables? P E Kemp again. And the roster includes many other musicals such as Barnum, Evita, Cats and Chess and operas like the Flying Dutchman, the Mikado and the Barber of Seville.

Theatres are not always ideally designed to cope with the demands of modern staging. "Some are bad, some are terrible and some are horrific," reflects Mr Kemp ruefully, and on occasion producers make impossible demands.

In The Man in the Moon, Mr Kemp was required to build an ejector tower to shoot Charlie Drake on to the top balcony. The night before the opening, the producer said "It's not fast enough. Make it quicker".

"We sweated all through the night," recalls Mr Kemp, "but there was no way we could increase the speed at such short notice, so we decided to bluff it out".

The next day, the producer asked if the system was quicker and Mr Kemp replied "A little". The bluff worked. On the night, after Charlie was successfully elevated, no faster than before, the producer turned to the engineer and said, "That's fine".

Mr Kemp has been rather more successful at engineering the rise of his company over the past few years. It has expanded its range to include exhibition stands - it once built a revolving turntable to house a Boeing 737 - and the complete refurbishment of theatres like the Playhouse in London. In the past year, P E Kemp has also acquired two carpentry companies - Bert Richman and Victor Mara.

The result has been substantial growth in profits. In the year to October 31, 1985, pre-tax profits were just £94,000 but last year the company made £137,000 and it is forecasting £295,000 this year.

In 1980, the company was bought by the Rank Organisation but Rank sold it back to Mr Kemp in 1984 for just over £200,000. That buy-out was later funded via a Business Expansion Scheme issue through which shareholders were offered 45 per cent of the equity.

Under the current issue, sponsor Dennis Murphy, Campbell is placing 700,000 shares at 60p per share, putting a market value on the group of £2.7m. The prospective p/e at the placing price is just over 11.

The proceeds of the offer - around £360,000 after expenses - will be used to pay off debts incurred in funding the two recent acquisitions.

Unlike the USM and the main market, BES companies are allowed to join the third tier. Some have predicted that a flood of BES flotations would result, but the prospects for such issues took a knock recently when Neilson Lesiure had to abandon its plans for a Third Market quite when it becamme claer that it would not meet its profits forecast.

However, the P E Kemp new issue price indicates that the original BES investors have already more than doubled their money, even before one allows for the tax relief. One group of investors, at least, who are never likely to be dubbed Les Miserables.

Hambro Countrywide

A partial offer to shareholders of Hambro Countrywide was accepted on behalf of 4.2 per cent of the shares in the estate agent chain which is creating a life assurance company in association with Guardian Royal Exchange. The acceptance figure represents just over one third of the eligible shares.

Shareholders were allowed to accept the 150p offer by a group of institutions for up to half of their shares. With Hambros Bank - now holding 61 per cent of Countrywide - and GRE promising not to accept, the institutions are willing to buy about 12.1 per cent of the outstanding shares. Hambros' stake will fall to 52 per cent as a result of the GRE venture.

Although Countrywide shares traded as low as 145p last Tuesday (against 171p before the offer was announced on September 8), the shares remained above the offer price yesterday, closing at 155p.

PPS buy

Prudential Property Services, wholly-owned subsidiary of the Prudential Corporation and one of the UK's largest estate agents, has acquired Johnston & Co, Yorkshire-based estate agent.

COMPANY NEWS IN BRIEF

DOWTY GROUP has acquired the Nottingham based electronics company J Jones Automation for £517,000 cash.

BRITISH VITA :In response to the recent rights issue of 9,161,704 new 25p ordinary, shareholders have subscribed for 8,513,347 shares representing approximately 93 per cent of the issue.The balance has been sold in the market and net proceeds wil be distributed to qualifying shareholders. Company also announced that following unqualified approvals from the relevant authorities, the acquisition of Metzeler Schaum Gmbh has now become unconditional.

ICELAND FROZEN Foods Holdings has purchased A J & M Freezer Foods who trade as Igloo.

AAH HOLDINGS: All the main trading divisions had made an encouraging start, Mr W M Pybus, the chairman, told the annual meeting. He said their respective results to-date were ahead of last year, and he was confident he would be able to report a satisfactory group performance for the half-year to September 30. The elimination of minority interests would enhance earnings per share.

CARDIFF PROPERTY:Company has exchanged contracts for the purchase of two freehold commercial properties for a total consideration of £568,710 to be met by the issue of 107,000 Cardiff ordinary.

PLESSEY:Company has purchased a further £100,000 principal amount of £15m 7¼ per cent debenture stock for cancellation.

BRUNNING GROUP has acquired MPR Comunications for an initial consideration of £243,875 cash, Brunning ordinary shares to the value of £68,625 and by the issue of loan notes.Total consideration will depend on the growth in after-tax profits of MPR for the three years to March 31 1990. Brunning directors said prospects for the group continue to be encouraging.

FINLAN GROUP:In respect of the offer for Baltic, by 5pm on October 5 acceptances had been received from holders of 8,878 Baltic ordinary (approximately 35.5 per cent) Since making the offers Finlan has acquired an option over 3,000 Baltic ordinary, which shares have ben assented to the ordinary offer and are therefore included in the acceptances. Acceptances have ben received from holders of 11,500 preference (46 per cent). The cash alternative is conditional on the offers becoming or being declared unconditional in all respects.

BULA RESOURCES: Shares in the USM quoted Irish oil company were suspended yesterday at the company's request, pending an announcement.

BOARD MEETINGS

The following companies have notified dates of board meetings to the Stock Exchange. Such meetings are usually held for the purpose of considering dividends. Official indications are not available as to whether the dividends are interims or finals and the sub-divisions shown below are based mainly on last year's timetables.

TODAY

Interims- Denistron International, Grampian Holdings, Higgs and Hill, S. Jerome, Johnston Group, Malaysia Mining Corporation, Plumb, Rup Estates, Samuelson, Southend Stadium, TR City of London Trust, Thurgar Bardex, Wartsila AB, Woottons Betterware.

Finals- A. Beckman, John Maunders, TSW-Television South West.

FUTURE DATES

Interims-

Allebone	Oct 14
BDA Holdings	Oct 20
Farnell Electronics	Oct 15
Forward Group	Oct 26
Hunting Petroleum Services	Oct 15
Viking Resources Trust	Oct 26

Finals-

Bejam	Oct15
Japan Assets Trust	Oct 27

DIVIDENDS ANNOUNCED

	Current payment	Date of payment	Corres - ponding div	Total for year	Total last year
Ash & Lacy ....int	12	Nov 7	11	-	24
ATA Selection§ ....int	0.7	Dec 21	0.6	-	1.5
Brit Fittings ....int	1.38	Nov 27	1.25	-	5
Lon & Manch ....int	2.77†	-	2.34	-	7.16
Martin (A.) ....int	1.4	-	1.3	-	3.9
Quarto Group§ .....int	1.5‡	-	nil	-	0.01
Savage Group§ ....fin	3	Nov 25	0.5	4.5	0.5
Sears ....int	1.35	Dec 7	1	-	4
Telephone Rents ...int	3	Dec 1	2.75	-	7.75
Usher (Frank)§ ....int	2	-	1.5	-	5.5
Ward Group ....int	1.5	Nov 18	nil	-	1

Dividends shown pence per share net except where otherwise stated. *Equivalent after allowing for scrip issue. †On capital increased by rights and/or acquisition issues. §USM stock. §Unquoted stock. ØThird market. ‡Gross. US$.

Latest indicators of main executive perks

BY MICHAEL DIXON

"DON'T you get bored crunching out all those tables?", asked a youthful reader the other day. My reply of course was that, like the flowers that bloom in the spring tra-la, the Jobs column's personal attitude to the tables has nothing to do with the case.

The only important question is whether you people on the receiving end are on the whole bored by them. If not, tables will go on appearing whenever useful figures become available which, in the autumn and spring pay survey seasons especially, is often.

My belief that you mostly do not find such figures tedious is based not only on the inquiries I receive about them, but also on the way you tend to go about reading the *FT* in general. I have watched a lot of you at it over the years on trains, buses and so on.

It is rarely a sight to strike pride into those of us here whose output is largely in words. A fairly standard pattern of behaviour, for instance, is to look quickly over the front page, then flip to the back and do the same before turning inside to the paper's later pages stuffed with numbers, and settling down for a really good read.

As to my own attitude - while not going to the same extreme, I often find fascination buried in numbers too. Some examples lie in the table above which, as in previous Octobers, is drawn from the annual survey of executive pay and fringe benefits which is made by Inbucon Management Consultants. Anyone desiring more information about the full study, which is comprehensive, should contact Peter Robinson at 197 Knightsbridge, London SW7 1RN; telephone 01-584 6171, telex 916533 Relcon G.

PERCENTAGE OF PEOPLE IN EACH TYPE OF JOB WHO RECEIVE:

	Full use of company car %	Allowance for use of own car %	Subsidised lunches %	Subsidised private telephone %	Help with housing %	Life assurance %	Free medical insurance %	Share option scheme* %	Loans at low interest %	Bonus %	Bonus as % of recipient average salary
Managing directors	98.3	2.1	51.1	61.7	16.8	95.1	86.1	88.5	10.8	53.0	19.6
General managers	89.6	9.4	46.7	49.3	16.4	86.8	80.4	73.2	9.6	47.1	17.7
Company secretaries	93.5	2.0	52.3	41.8	15.7	96.0	86.9	76.4	12.4	41.2	13.1
Personnel executives	83.9	3.2	62.3	43.2	12.4	94.5	81.1	71.5	12.2	44.4	10.3
Financial executives	85.1	3.6	52.1	39.0	12.4	94.3	81.2	69.6	9.2	43.9	13.7
Production executives	81.1	3.9	44.9	44.1	7.8	95.1	80.4	67.2	5.1	40.9	12.9
Chief engineers	65.8	7.0	55.6	46.1	9.9	93.3	71.8	48.2	6.3	40.1	10.6
Distribution executives	67.5	4.9	48.0	31.7	8.1	95.1	66.7	59.3	4.9	39.4	11.1
Purchasing executives	63.0	5.4	56.2	23.3	5.9	92.2	69.2	57.8	7.5	43.8	9.6
Sales executives	95.3	1.4	52.8	50.8	7.1	96.1	79.8	58.0	6.9	47.8	14.3
Marketing executives	91.1	1.3	62.0	40.8	10.0	92.8	77.8	75.5	13.0	47.4	11.6
Heads of R and D	77.8	2.4	59.5	30.6	10.2	97.9	75.7	67.8	5.7	39.3	12.0
Data-processing chiefs	75.5	7.0	55.3	31.9	12.9	90.3	73.5	51.3	9.3	38.1	10.7
All types - 1987	79.8	4.1	53.2	40.2	10.6	93.8	76.4	64.3	7.9	43.7	13.8
All types - 1982	77.7	6.4	71.0	-	7.4	92.4	63.0	23.5	6.5	37.0	11.4

* Figures are inflated because various types of option scheme are in operation, and several executives benefit under more than one type.

The report covers over 7,000 high-rankers employed in the United Kingdom by nearly 700 companies, of which 13 per cent were owned in the United States and 18 per cent elsewhere overseas. The table takes 13 types of senior people among those covered, and shows what percentages of each type had various sorts of perk. The "All types" figures at the bottom do the same for all the executives taking part in the latest study, and for those surveyed five years before. The median salary among the total samples, by the way, was £21,000 this year and £14,027 in 1982.

Unfortunately, in the case of one perk which has now become widespread - share option schemes - the figures given are inflated. The root reason is that various kinds of option schemes are in use, and several of the executives enjoyed more than one of them.

Inbucon's full report shows separate percentages for each of three kinds: options given as a self-contained benefit, those acquired by executives at least partly by their own savings, and those provided under a profit-sharing scheme. But my table has no room to do likewise. All I can add in compensation is that 23 per cent of all the managing directors and other board ranks surveyed still have no incentive payments whatsoever, not even a cash bonus.

For me, however, the table's fascination is in perks of a less spectacular sort than option schemes. One example is that the group enjoying the highest percentage of low-interest loans is marketing executives. Anyone who has spent much time in their company will not need telling why.

Another instance is that the group most largely covered by life assurance is the chiefs of research and development. Can it be that their enthusiasm for experimenting outweighs their concern for safety precautions?

But an oddity which seems to defy explanation lies in the "subsidised private telephone" column. It seems reasonable to suppose that, if sales executives and purchasing managers need to be in touch with business contacts outside working hours, it ought to be with each other at least as much as anyone else. So why is a subsidised telephone given to over half the sales chiefs but to less than a quarter of their counterparts in buying?

Before leaving the subject of figures, however, I must add something less intriguing than shameworthy. Several readers have called about last week's executive pay table in which the overall median salary was given as £19,284 whereas in the accompanying article it was twice stated as £19,824. The right figure was £19,824.

The error arose because, as I've stopped writing on paper in favour of electronics and such, I cannot look simultaneously at both text and table to check them against one another.

I am sorry, and promise to be extra careful from now on.

Finance pair

RECRUITER John Williams seeks two people for City of London concerns he may not name. He therefore promises to abide by any applicant's request not to be identified to the employer at this stage.

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Interested candidates should first write succinctly, enclosing a curriculum vitae, to David S. Allsopp, Chairman, McKinley Allsopp Ltd., Prince Rupert House, 64 Queen Street, London EC4R 1AR.

McKinley Allsopp Ltd.

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Please contact David Williams on 01-623 1266.

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If interested please respond quickly by calling Anne Gilbert on (01) 629 8070, or alternatively by sending a detailed curriculum vitae to her quoting Ref. L255, at Slade Consulting Group (UK) Limited, Metro House, 58 St James's Street, London SW1A 1LD. ***All applications will be treated in strictest confidence.***

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VWD-Vereinigte Wirtschaftsdienste GmbH
Niederurseler Allee 8-10, 6236 Eschborn 1, Telefon 00 49-61 96/40 50

VWD

COMMODITIES AND AGRICULTURE

Sobering outlook for the vineyards

In the fourth article of our series on European Commission plans to cut the spiralling cost of EC farm policies, TIM DICKSON looks at the wine sector, where problems are exacerbated by a steadily declining trend in consumption.

IN VINO VERITAS is a particularly appropriate phrase in Brussels at present; for the problems of the Community's increasingly costly wine regime reflect wider truths about the Common Agricultural Policy.

Discussions in the Council of Ministers later this month will be characterised by sharp clashes between Northern member states and their Mediterranean counterparts. They will be influenced by intense political pressures from national capitals (notably Paris, in the build up to next year's Presidential election, but also Rome and Bonn) and they will illustrate vividly the genuine social problems of trying to tackle a persistent surplus created in the poorer regions of the European Community.

EC spending on wine is expected to swallow up Ecu1.3bn (£900m) in 1987—double the level of five years ago—but this figure includes Spain for the first time and the sector accounts for a relatively modest 5 per cent to 6 per cent of the total agricultural budget—just a third of what goes on cereals and less than a quarter of dairy expenditure.

Community support is restricted to "table" wines which account for about 70 per cent of European production and should be distinguished from quality wines, which are defined in different ways according to the member state concerned.

The real headache in the wine sector is not so much the immediate financial situation as the steadily declining trend in European consumption. Beer and spirits are grabbing a bigger share of the market in wine producing countries like Italy and France—Frenchmen drink 30 to 40 litres less wine on average per year than they did in the mid-1960s—while the recent Italian and Austrian wine scandals have done little for consumer confidence in the grape product.

The accompanying chart projects a gradual shrinking of the wine surplus between now and the early 1990s—but it is based on the somewhat optimistic assumption that production will zbe reduced by 25m hectolitres through a voluntary grubbing up (or uprooting) scheme and it still leaves an excess over internal and external requirements of 25m hectolitres by that date.

In the context of its general proposals for budget stabilisers, announced last month, the European Commission has come forward with new ideas aimed at curbing production—but significantly it has refrained from setting the sort of guarantee thresholds which in other sectors (notably cereals) are designed to keep spending under control on a year on year basis.

The aim of policy makers in Brussels is rather to cut production over the medium term via a combination of *directly* reducing the areas covered by vines and *indirectly* discouraging high yields through a more restrictive price regime.

The outline of this strategy was first established at the Dublin Summit of 1984 — an event which clearly demonstrated the political sensitivities at stake. Once again, however, the apparently tough talking of heads of state has not been followed through with commensurately tough action. Thus the Commission's proposal of last year to cut back the producing area by limiting the extent to which growers could replace exhausted vines — a measure which is now described in a new paper on stabilisers as "indispensible" — has so far been ignored by the Council.

The lack of alternatives for many of the affected farmers forms a major political obstacle. In addition quality wine producers point out that their production is not in surplus and does not receive Community support.

Privately many observers feel that the best that can be hoped for from the discussions is that the scheme will be restricted to table wines and that the voluntary scheme—so far largely ineffective—will be reinforced.

The other targets of the Commission's attack are the various distillation schemes whereby producers are paid a guaranteed price to take table wine off the market (and under which it is distilled into largely unsaleable alcohol — the so called "wine lake"). The fundamental problem is that these schemes were mainly devised in the days before Europe's wine surplus became permanent and were therefore intended to support producer incomes when market conditions were tough. The strategy now is to lower the average returns from this form of intervention so that the built-in incentive to over-production is removed.

The Commission is now proposing to phase out the *guarantie de bon fin* distillation which gives producers 90 per cent of the Community guide price (compared with market prices of 70 to 80 per cent of this yardstick). Measures have already been taken to reduce its availability from 18 per cent to 10 per cent of output.

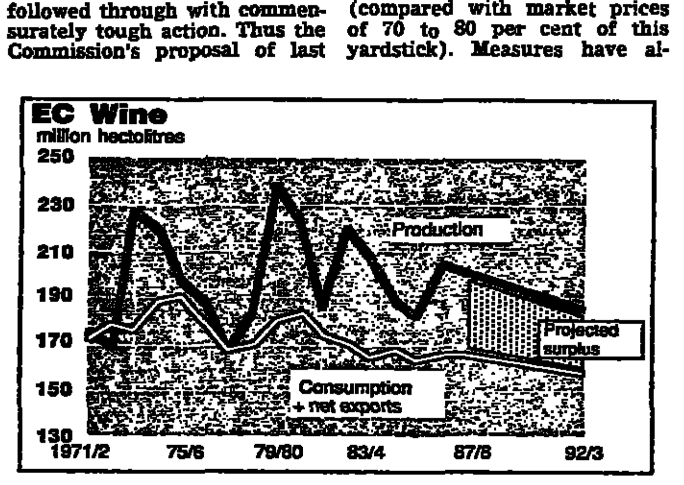
The central aim of the Commission, however, which is in line with the strategy agreed in Dublin, is to limit the scope of voluntary distlillations, like *guarantee de bon fin*, and preventative distillation, which pays a not ungenerous 65 per cent of the guide price, and to reinforce the "compulsory" distillation scheme. This pays between 40 per cent and 50 per cent of the guide price. The aim is to penalise particularly those who produce high yields.

The conditions agreed in 1984 essentially mean that the compulsory scheme is now triggered automatically, but the Commission's latest proposal is to reduce the lower guaranteed price still further over the next three years.

The political negotiations are likely to be greatly complicated by continued controversy about the way in which the Commission distributes the burden of compulsory distillation among member states and among individual farmers. The budgetary considerations may be muddied, meanwhile, by the fact that, paradoxically, the cost to the Community of the less generous compulsory distillation scheme is proportionately much greater than the others because the EC actually finances the purchase of alcohol.

The biggest row, however, will probably erupt over the issue of "enrichment," which contains all the elements of a classic North/South confrontation. The problem lies in the fact that German, Luxembourg and French producers in the north of the country have by tradition added sugar to their wine to increase its alcohol content, while their counterparts in Italy, Spain and southern France are allowed to use only the more expensive concentrated grape must.

The Commission takes the view that using sugar encourages overproduction and wants to ban its use, not least because Brussels currently pays compensation to southern growers to redress the competitive disadvantage which they suffer in this respect. A final decision has been put off until 1990—pending the preparation of a scientific report—but the subject is rooted in tradition and will certainly prove difficult to resolve.



WEEKLY METALS

All prices as supplied by Metal Bulletin (last week's prices in brackets).

ANTIMONY: European free market 99.6 per cent, $ per tonne, in warehouse, 2,220-2,250 (2,225-2,250).

BISMUTH: European free market, min 99.99 per cent, $ per lb, tonne lots in warehouse 4.45-4.60 (4.50-4.65).

CADMIUM: European free market, min 99.95 per cent, $ per lb, in warehouse, ingots 2.17-2.24 (2.18-2.25), sticks 2.17-2.24 (2.18-2.25).

COBALT: European free market, 99.5 per cent, $ per lb, in warehouse 6.45-6.70 (same).

MERCURY: European free market, min 99.99 per cent, $ per flask, in warehouse, 3.05-3.10 (3.05-3.12).

MOLYBDENUM: European free market, drummed molybdic oxide, $ per lb Mo, in warehouse 2.95-3.05 (2.98-3.05).

SELENIUM: European free market, min 99.5 per cent, $ per lb in warehouse, 5.90-6.10 (5.85-6.10).

TUNGSTEN ORE: European free market, standard min 65 per cent, $ per tonne unit WO_3, cif, 38-50 (38-53).

VANADIUM: European free market min 98 per cent V_2O_5, other sources, $ per lb V_2O_5, cif 2.75-2.85 (2.72-2.82).

URANIUM: Nuexco exchange value, $ per lb U_3O_8, 16.65 (same).

STOCKS OF both natural and synthetic rubber are expected to grow next year despite higher consumption, Reuter reports.

According to the International Rubber Study Group, the member governments of which met in Hamburg last week, world synthetic rubber production for 1988 will be 9.71m tonnes, compared with an estimated 9.4m tonnes this year.

Gulf states cut oil production

BY MAX WILKINSON, RESOURCES EDITOR

OIL PRODUCTION by all the major Gulf suppliers except Iraq fell in September, according to the latest monthly oil report from the Paris-based International Energy Agency.

It says that total output from the Gulf averaged 12.3m barrels per day in the month, compared with 13.6m b/d in August. This was in spite of an increase of 200,000 b/d by Iraq which is now sending more oil through its new pipeline to the Mediterranean. However, Iran's oil production fell sharply from an average of 2.9m b/d in August to 2.1m b/d in September, mainly because it was finding difficulty in selling its exports.

Output by the whole of the Organisation of Petroleum Exporting Countries fell to 18.5m b/d in September, compared with 19.9m b/d in August. This fall brought the group's average production down to about the same level in the third quarter in 1986.

However, the IEA says that world demand for oil has risen since last year, while output from the US has continued to fall slightly. The Agency's latest estimate is that oil consumption in the third quarter of this year in the industrial world was 1.5 per cent higher than in the equivalent period of 1986. This would bring the growth rate in oil consumption in the first nine months of the year to an annual rate of 1 per cent, a rate which the Agency thinks will be sustained

The growth of demand mainly reflects a 3 per cent year-on-year rise in petrol consumption in the US and Europe. However, deliveries of heavy fuel oil have fallen substantially since 1986.

The Agency believes that stocks on land rose by about 1m b/d in the third quarter, partly reflecting the normal seasonal stockbuild for the northern winter, but partly because of increased worries about tensions in the Gulf.

However, the Agency's breakdown of the supply and demand balance shows an unexplained "balancing item" of 2.5m b/d, which may represent some involuntary stockbuilding or oil still in transit on the high seas.

The Agency says that the average price of imported crude including freight and insurance, delivered to developed countries was $18 per barrel in the three month period April to June. This was $1 per barrel higher in the first quarter, but 20 per cent below the average imported price in local currencies a year earlier.

New York joins white sugar battle

BY DEBORAH HARGREAVES IN CHICAGO

NEW YORK'S Coffee, Sugar and Cocoa Exchange entered the refined sugar futures market this week with the launch of a white sugar contract.

While the contract traded just 100 lots on Monday—its first day—the exchange expects to see it build up gradually to reach around 20 per cent of the raw sugar futures volume in the next couple of years.

Raw sugar futures is the CSCE's dominant contract with an average daily volume of 15,000 to 16,000 contracts so far this year. The white sugar futures contract is designed to provide arbitrage opportunities with raw sugar futures. It also reflects a change in the world sugar trade which is seeing more and more sugar moved in refined form, an exchange official explained.

Mr Bennett Corn, CSCE president, is confident the new contract will win business from existing contracts in Paris and London, where the London Futures Options Exchange launched an automated market in July.

"If we do so to 85 per cent of the world's raw sugar futures trade, my bet is that we will do the major part of white sugar volume," he said yesterday.

The Coffee, Sugar and Cocoa Exchange's two raw sugar contracts account for over half of the exchange's overall business of some 25,000 contracts a day. Volume has slipped slightly on sugar this year, but Mr Corn expects it to pick up

The exchange, which also trades options on raw sugar, expects to launch a white sugar options contract once futures have become established.

Israeli cotton sails out of doldrums

BY JUDITH MALTZ IN TEL AVIV

ISRAEL's cotton growers are confident they have finally emerged from the two-year slump which almost forced them to shut up shop.

Mr Joseph Dloomy, managing director of the state-run Cotton Production and Marketing Board, has predicted an encouraging 37 per cent increase in overseas sales for the 1987-88 season to US$110m. As growers prepared for the start of the export season next week, he dismissed previous talk of shutting down the sector, saying "that's all past now."

Indeed, a year ago at this time, things couldn't have looked much worse for Israel's once-prosperous cotton sector. After reporting unprecedented losses of $20m and a drop in sales of more than 25 per cent, the farmers found themselves defending their right to exist. Falling world cotton prices combined with a severe water shortage at home led many economists and environmentalists to conclude that Israel could no longer justify growing the heavy water-consuming crop.

To survive, the farmers were compelled to reduce their water usage, cutting back total acreage under cotton—a crop which has typically accounted for some 30 per cent of Israel's total agricultural production—by one third. Growing pessimism and uncertainty about the future of the industry subsequently caused farmers to reduce their planned acreage by a further 10 per cent.

What transformed this dire outlook was last winter's exceptionally heavy rainfall and the steep jump in world cotton prices over the past year. Mr Dloomy says that even with less acreage, dollar revenues from cotton are thus sure to be higher this year.

How much farmers will earn from exports, which account for over 90 per cent of their total revenues, he says, will depend on whether the Government agrees to a further devaluation of the shekel, following last January's 10 per cent drop. Mr Dloomy argues that if no devaluation is undertaken, the best that farmers — squeezed by rising local input costs — can hope for is to break even at the end of the season.

Looking further ahead, the cotton board chief believes the country's farmers, encouraged by recent world price developments, will increase their acreage under cotton by at least 30 per cent next season. In fact, some 10 per cent of the crop planned for 1988 has already been sold. The bulk of Israel's cotton is sold to Western Europe, mainly to Germany and the Mediterranean countries.

Hoping to boost their earnings further, the country's farmers have also begun planting a greater proportion of the more expensive, long staple Pima cotton relative to the cheaper, but more popular, Acala. The Pima crop today accounts for over a quarter of Israel's total cotton production, a dramatic increase from several years ago.

Moreover, through new agricultural techniques, the country's scientists have managed to increase Pima yields significantly above the world average.

Greater emphasis has also been put on increased mechanisation and automation. Israel is the only country in the world today, Mr Dloomy boasts, in which the entire cotton crop is classified and graded by computer.

With their future looking much more certain today, Israel's cotton growers have become more preoccupied with the basic challenges of improving efficiency and profitability. To this end, they have come to rely increasingly on sewage and other types of recycled water for irrigation. Today over half the cotton in Israel is grown with water which would otherwise be flushed away.

LONDON MARKETS

ALUMINIUM PRICES on the London Metal Exchange fell back sharply yesterday, wiping out most of the advance of the previous few days. Values continued to rise in early trading—reaching 3¾-year highs in sterling terms and 7½-year highs in dollar terms — but profit taking set in as the upsurge ran out of steam. By the close the cash standard grade position was £43 down at £1,283 a tonne. The cocoa futures market also came under pressure with the March position ending £21 lower at £1,210.50 a tonne. Dealers linked the fall with renewed weakness at the opening of the New York market, reflecting bearish chart patterns and the large world production surplus forecast recently by London trader Gill & Duffus. There were also reports of Brazilian selling. In contrast the raw sugar market was very firm again on supply tightness and talk of renewed Indian and Soviet demand.

LME prices supplied by Amalgamated Metal Trading.

ALUMINIUM

99.7% purity	Unofficial close (p.m.) $ per tonne	+ or —	High/Low
Cash	1970-90	—65	—
3 months	1850-70	—15	1800/1870

Official closing (am): Cash 2,000-20 (2,040-50). three months 1,875-85 (1,850-70). settlement 2,020 (2,050). Final Kerb close: 1,870-80. Ring turnover: 400 tonnes.

ALUMINIUM—99.5 per cent

99.5% purity	£ per tonne		
Cash	1202-4	—43	1215/ —
3 months	1127-8	—18	1155/1128

Official closing (am): Cash 1,213-5 (1,254-6), three months 1,135-6 (1,150-1), settlement 1,215 (1,256). Final Kerb close: 1,135-6. Ring turnover: 22,950 tonnes.

COPPER

Grade A	Unofficial close £ per tonne	+ or —	High/Low
Cash	1156-7	—3	—
3 months	1141-2	—1.75	1154/1139

Official closing (am): Cash 1,159.5-60.5 (1,156-7), three months 1,145-5.5 (1,137.5-38), settlement 1,060.5 (1,157). Final Kerb close: 1,140-1.

Standard			
Cash	1153-5	—3	—
3 months	1136-8	—1	—

Official closing (am): Cash 1,156-9 (1,153-5), three months 1,139-42 (1,131-3). settlement 1,159 (1,155). US Producer prices 85.25-90 cents a pound. Total ring turnover: 33,025 tonnes.

LEAD

	Unofficial close (p.m.) £ per tonne	+ or —	High/Low
Cash	371-2	—5	371/363
3 Months	361-2	—5	366/356

Official closing (am): Cash 363-3.5 (375.5-76), three months 356-7 (367-8), settlement 363.5 (376). Final Kerb close: 357-8. Ring turnover: 14,625 tonnes. US Spot: 42 cents a pound.

NICKEL

	Unofficial close (p.m.) £ per tonne	+ or —	High/Low
Cash	3350-5	+5	—
3 months	3350-5	+3.5	3560/3330

Official closing (am): Cash 3,325-35 (3,359-60). three months 3,330-5 (3,355-60), settlement 3,335 (3,360). Final Kerb close: 3,345-55. Ring turnover: 498 tonnes.

ZINC

High grade	Unofficial close (p.m.) £ per tonne	+ or —	High/Low
Cash	475.5-4.5	—5.5	474/475
3 months	475-6	—5	368/356

Official closing (am): Cash 474-4.5 (474.5-5.5), three months 474-5 (476.5-77), settlement 474.5 (475.5). Final Kerb close: 474-5. Ring turnover: 8,900 tonnes. US Prime Western: 43-43.75 cents a pound.

TIN

KUALA LUMPUR TIN MARKET—Close: 16.90 (16.84) ringgit per kg. Up 0.06.

LONDON METAL EXCHANGE TRADED OPTIONS

	Strike Price $/tonne	Calls Nov.	Calls Jan.	Puts Nov.	Puts Jan.
Aluminium 99.7%	—	—		—	
	—	—		—	
	—	—		—	
Aluminium 99.5%	1,900	81	47½	57½	138
	1,950	57	34	85½	173½
	2,000	38½	23½	114½	212
Copper (Grade A)	1,850	65	80½	38½	96
	1,900	40½	60½	63½	124
	1,950	23½	44½	96½	157
Copper (Grade A)	£/tonne 1,125	42	46½	14½	42½
	1,150	27½	36½	25	56
	1,175	17	26½	38	71½

GOLD

GOLD BULLION (fine ounce)	Oct. 6	
Close	$457½-458	(£280-280½)
Opening	$456¾-457¼	(£280½-281)
M'n'g fix	$455.00	(£280.269)
Aft'n'n fix	$454.35	(£279.772)
Day's high	$459-459½	—
Day's low	$456¾-457¼	—

GOLD AND PLATINUM COINS

Am Eagle	$474-475	(£288-291)
Mapleleaf	$471-474	(£288½-290½)
Kr'g'r'nd	$455¾-456¾	(£279¼-281)
½ Krug	$238½-248	(£146-151¾)
¼ Krug	$121½-129½	(£74½-79½)
Angel	$466-471	(£285¾-288½)
1/10 Angel	$48-53	(£29½-32½)
New Sov.	$107½-108½	(£65¾-66½)
Old Sov.	$107½-109	(£65¾-66¾)
Noble Plat.	$589-599	(£360¾-367)

RUBBER

...PHYSICALS—Closing prices (buyers): Spot 67.75p (same): Nov 69.25p (same); Dec 69.50p (same). The Kuala Lumpur fob prices (Malay/Singapore cents per kg) was: RSS No 1 269.0 (267.5): SMR 20 253.5 (250.5).

MEAT

MEAT AND LIVESTOCK COMMISSION—Average fatstock prices at representative markets. GB—Cattle 95.88p per kg lw (+0.21). GB—Sheep 187.11p per kg est dcw (—4.32). GB—Pigs 75.74 (+1.14).

INDICES

REUTERS

Oct. 5	Oct. 2	M'th ago	Year ago
1660.0	1641.0	1640.6	1566.0

(Base: September 18 1931=100)

DOW JONES

Dow Jones	Oct. 5	Oct. 2	M'th ago	Year ago
Spot	126.71	126.73	—	122.41
Fut	132.49	131.42	—	123.01

(Base: December 31 1931=100)

MAIN PRICE CHANGES

	Oct. 6 1987	+ or —	Month ago
METALS			
Aluminium			
Free Market	$1996/020	—35	$1790/720
Copper			
Cash Grade A	£1156.5	—3	£1069.5
3 months	£1141.5	—0.75	£1054.75
Gold Troy oz	$457.75	+0.75	$456
Lead Cash	£371.5	—5	£413
3 months	£361.5	—5	£393.5
Nickel			
Free Mkt.	246/266c		242/262c
Palladium oz	$134.00	+1	$137.00
Platinum oz	$573.00	+5.5	$593.75
Quicksilver†	$295/305		$300/310
Silver troy oz.	466.35p	—0.65	460.90p
3 months	478.05p	—0.45	472.45p
Tin			
free Mkt.	£4160/170	—10	£4120/150
Tungsten	$51.16	—2.82	$56.47
Wolfram 22.0lb	$38/50		$43/55
Zinc	£474	—5.5	£449
3 months	£475.5	—5	£453
producers	$830		$860
OILS			
Coconut (Phil)	$490w	—5	$485
Palm Malayan Seeds	‡		$395
Copra (Phil)	$317.5	—2.5	$320
Soyabean (U.S.)	$167	—1	$146.5
GRAINS			
Barley Fut. Jan.	£105.40	+0.15	£100.25
Maize	£152.00	—0.75	£158.00
Wheat Fut. Jan.	£111.40	+0.15	£106.05
No. 2 Hard Wint.	‡		‡
OTHERS			
Cocoa Ft. Mar.	£1210.5	—21	£1214.5
Coffee Ft. Jan	£1432.5	+55.5	£1320.5
Cotton A Ind.*	79.35c	—0.6	84.95c
Gas Oil Nov.	$156.5	—8	$152.75
Rubber (kilo)	67.75p	+0.5	69.75p
Sugar (raw)	$164.6w	+5.4	$146.5
Wooltops 64s	485p kilo		497pkilo

‡ Unquoted. † Per 76-lb flask. c Cents a pound. * Cotton outlook. w Oct-Nov. y Nov. z Dec. t Nov-Dec.

SILVER

Silver was fixed 0.05p an ounce lower for spot delivery in the London bullion market yesterday at 466.35p. US cent equivalents of the fixing levels were: Spot 762c, up 5.25c; three-month 777.75c, up 4.95c; six-month 794.15c, up 4.9c; and 12-month 829.15c, up 5.1c. The metal opened at 467-469½p (761-763c) and closed at 466½-468p (762-764c).

SILVER per troy oz	Bullion Fixing price	+ or —	L.M.E. p.m. Unoffic'l	+ or —
Spot	466.35p	—0.05	762c	+2
3 months	478.05p	—0.45	778c	+2
6 months	489.90p	—0.75	—	—
12 months	513.60p	—0.85	—	—

Three months final kerb 777-9c.

LME — Turnover: Nil (nil) lots of 10,000 ounces.

COFFEE

Robustas consolidated after the recent rally, reports Drexel Burnham Lambert. Early long liquidation eased the market in quiet conditions. However, scale-down trade price-fixing supported prices, eventually absorbing the overhead selling late afternoon short-covering and renewed trade commission house buying boosted values.

COFFEE	Yesterday's close	+ or —	Business done
Nov	1396-1398	—2.0	1401-1385
Jan	1422-1423	+1.5	1425-1408
Mar	1438-1440	—	1444-1428
May	1463-1465	—3.5	1465-1448
July	1470-1478	—2.0	1480-1466
Sept	1486-1488	—7.5	1495-1486
Nov	1505-1510	—2.5	1505

Sales: 5,448 (11,888) lots of 5 tonnes. ICO indicator prices (US cents per pound) for October 5: Comp. daily 1979 112.00 (107.60); 15-day average 104.60 (104.17).

COCOA

In a line with a weaker New York market, futures fell on long liquidation and stop-loss selling, reflecting sterling strength and concern over a projected world surplus.

	Yesterday's close £ per tonne	+ or —	Business done
Dec	1181-1182	+18.0	1196-1176
March	1210-1211	—21.0	1227-1206
May	1230-1231	—22.0	1248-1229
July	1251-1256	—21.0	1271-1252
Sept	1270-1275	—21.0	1291-1268
Dec	1295-130	—18.0	1312-1291
March	131—1326	—18.5	1337-1318

Sales: 3,498 (1,439) lots of 10 tonnes.

ICCO indicator prices (SDRs per tonne). Daily price for October 6: 1,481.55 (1,501.81); 10-day average for October 7: 1,519.88 (1,527.07).

GRAINS

LONDON GRAINS—Wheat: US Dark Northern Spring No 2, 14 per cent: Oct 96.25, Nov 96.50. US No 2 Soft Red Winter: Oct 92.00, Nov 94.00. French 11½-12 per cent: Oct 135.00 sellers. English feed, fob: Dec 112.50-113.00 paid East Coast: Oct 110.50-111.00 buyer/sellers, Nov 112.00, Dec 112.50 sellers, Jan/March 114.50-115.00, April/June 118.00-118.25 buyer/sellers. Maize: US No 3 Yellow/French, transhipment East Coast:2nd-half Oct 132.00 seller. Barley: English feed: Oct 107.00 sellers, Nov 106.50-106.75 buyer/sellers, Dec 110.00, Jan/March 112.00 sellers.

Wheat and barley both showed signs of initial weakness but a bullish trend; absorbed any modest selling interest and values closed on a steady note, reports T. G. Roddick.

Mnth	WHEAT Yest'dy's close	+ or —	BARLEY Yest'dy's close	+ or —
Nov.	110.15	+0.25	103.50	—0.15
Jan.	111.40	+0.15	105.40	+0.10
Mar.	113.50	+0.10	107.45	+0.15
May	116.20	—0.25	109.00	+0.10
July	117.00	—0.15	—	—
Sept.	100.15	—0.10	97.50	—
Nov.	102.15	—0.10	100.00	—0.50

HGCA — Locational ex-farm spot prices. Feed barley: S. East 102.00, S. West 99.10, W. Midlands 100.10, N. West 100.10. The UK monetary coefficient for the week beginning Monday October 12 (based on HGCA calculations using five days' exchange rates) is expected to remain unchanged.

Business done—Wheat: Nov 110.15-9.45, Jan 111.40-10.90, March 113.55-2.80, May 115.30-5.00, July, Sept and Nov untraded. Sales: 258 lots of 100 tonnes. Barley: Nov 103.50-3.40, Jan 105.40, March 107.20-7.10, May, Sept and Nov untraded. Sales: 67 lots of 100 tonnes.

POTATOES

The weather forecast and concern over delayed liftings brought buyers into the market at the opening. A firm Dutch market following a provisional West German crop estimate of 6.51m tonnes (CF 7.39m tonnes last year) moved prices through the £136.00 resistance barrier with better volume than of late being traded. At the close one heavy buyer lifted prices to the highs after light profit-taking had trimmed gains mid-afternoon, reports Coley and Harper.

Month	Yesterday's close	Previous close	Business done
	£ per tonne		
Nov.	88.50	84.50	88.70-84.90
Feb.	96.50	95.00	—
March	85.50	86.50	—
Apr.	137.80	132.50	137.90-133.00
May	150.20	145.70	150.10-146.50
Nov	80.00	85.00	—

Sales: 1,440 (430) lots of 40 tonnes.

OIL

	Latest	Change + or —
CRUDE OIL—FOB ($ per barrel) Oct.		
Arab Light	—	—
Arab Heavy	—	—
Dubai	17.06-17.11*	+0.105
Brent Blend	18.75-18.85	+0.125
W.T.I. (1pm edt)	19.60-19.65*	+0.30
Forcados (Nigeria)	—	—
Urals (cif NWE)	—	—
PRODUCTS—North West Europe Prompt delivery cif ($ per tonne)		
Premium gasoline	165-168	+2
Gas Oil	163-164	—3
Heavy fuel Oil	102-104	—2.5
Naphtha	166-168	—1

* November

Petroleum Argus estimates

SUGAR

...LONDON DAILY PRICE—Raw sugar $164.60 (£101.00), up $5.40 (up £2.60) a tonne for October-November delivery. White sugar $198.40, up $3.20.

	Yesterd'a close	Previous close	Business done
	$ per tonne		
No. 6 Raws			
Dec	156.1-156.8	148.0-149.0	155.0-149.8
Mar	159.8-166.4	160.2-160.4	162.0-159.0
May	172.0-172.4	164.4-164.8	171.8-165.8
Aug	176.8-176.6	168.2-168.4	172.4-169.4
Oct	179.8-180.0	172.0-172.4	178.6-172.8
Dec	182.6-185.2	176.6-179.2	—
Mar	185.0-183.8	181.8-185.4	—
No. 5 Whites			
Dec	19u.0-192.0	188.0-187.0	188.0-185.7
Mar	188.0	193.0-195.5	196.0-195.0
May	202.0-204.8	197.0-199.0	200.1-199.0
Aug	207.0-209.0	200.5-202.0	204.5-202.8
Oct	209.0-212.0	202.5-205.6	208.5
Dec	215.0-218.0	206.0-219.0	—
Mar	222.0	210.0-215.0	—

Sales: No 6 4,288 (1,078) lots of 50 tonnes: No 5 2,063 (1,026).

Tate and Lyle delivery price for granulated basis sugar was £206.00 (£203.00) a tonne for export.

International Sugar Agreement—(US cents a pound fob and stowed Caribbean ports). Prices for October 5: Daily price 6.14 (6.07); 15-day average 6.00 (same).

PARIS—Whites (FFr per tonne): Dec 1139-1140, March 1188-11.90, May 1215-1217, Aug 1243-1247, Oct 1265-1272, Dec 1280-1295.

SOYABEAN MEAL

Prices moved lower throughout the day, reflecting weaker cash markets. Commercial selling on all positions and heavy nearby spread activity were the noted features, reports Muirpace.

	Yesterd'ys close £ per tonne	+ or —	Business done
October	152.0-158.0	—0.75	133.0
Dec	153.2-155.6	—2.45	156.0-154.8
Feb	155.0-154.8	—2.20	154.5
April	155.5-154.5	—2.60	—
June	126.5-127.5	—2.75	—
August	124.0-126.0	—2.50	—
October	125.0-126.0	—2.25	—

Turnover: 5,802 (7,010) lots of 100 tonnes.

GAS OIL FUTURES

Month	Yesterd'ys close US$ per tonne	+ or —	Business done
Oct	164.00	—3.00	166.75-65.75
Nov	165.50	—3.00	168.00-64.50
Dec	167.50	—2.00	169.75-66.25
Jan	166.75	—2.75	170.75-68.25
Feb	167.00	—3.25	169.50-67.00

FREIGHT FUTURES

Values drifted lower with some stale long liquidation evident. However, the physical market looked firmer on good volume and a US Gulf/Japan fixture at $16.75, reports Clarkson Wolff.

	Close	High/Low	Prev.
Dry Cargo			
Oct.	1105	1125/1105	1115
Jan.	1200	1220/1193	1215/1216
Apr.	1232.5	1240/1225	1240
July	1105	1117/1108	1108
Oct.	1200	—	1180
Jan.	1200	—	1195
April	1287.5	—	1295
BFI.	1071	—	1067.5

Turnover: 268 (131).

US MARKETS

REPORTS THAT Saudi Arabia may tie the price of its oil to spot Brent prompted heavy commission house selling in crude oil which was joined by intermittent trade selling and which touched off stop-loss selling, reports Drexel Lambert. In contrast, the precious metals traded indifferently. Local selling depressed gold in early trading but fund buying prompted short-covering. In silver a combination of local, commission house and trade buying held the market steady in light trading. Copper was lacklustre, dominated by local activity. Sugar was firm on fund, trade and commission house buying, but producer selling and profit-taking pared gains. In cocoa commission house and arbitrage selling depressed prices, touching off stops on the way before industry buying and short-covering pared losses. Coffee eased in quiet trading as traders took profits. Cotton rallied on commission house buying but trade selling above 70c, basis December, pulled prices back. Orange juice fell on commission house selling. The grains were quiet. Professional long liquidation was a feature in the soyabeans and maize. Commercial selling emerged to ease soyameal while professional and commission house selling eased wheat. The meats rallied on technical buying.

NEW YORK

ALUMINIUM 40,000 lbs: cents/lbs

	Close	Prev	High	Low
Oct	83.75	84.75	—	—
Nov	83.75	84.75	—	—
Dec	83.75	84.75	84.50	83.25
Jan	81.10	82.00	—	—
March	77.75	78.50	78.00	78.00
May	72.50	73.25	—	—
July	69.75	70.50	—	—
Sept	69.75	75.50	—	—

COCOA 10 tonnes: $/tonnes

	Close	Prev	High	Low
Dec	1813	1827	1825	1798
Mar	1844	1853	1850	1828
May	1872	1878	1875	1860
Jul	1895	1904	1901	1893
Sep	1928	1933	1918	1918
Dec	1963	1967	1966	1966
Mar	1993	1997	—	—

COFFEE "C" 37,500 lbs: cents/lbs

	Close	Prev	High	Low
Dec	123.83	124.68	124.25	123.35
Mar	127.34	128.00	128.00	127.10
May	128.55	129.50	129.75	128.45
July	129.75	130.50	130.50	129.75
Sept	131.00	131.50	131.50	130.00
Dec	131.63	132.78	133.00	132.00
Mar	130.00	130.00	—	—

COPPER 25,000 lbs: cents/lbs

	Close	Prev	High	Low
Oct	83.10	83.50	83.25	83.25
Nov	83.05	83.40	—	—
Dec	83.00	83.30	83.40	82.70
Jan	82.40	82.70	—	—
March	81.30	81.50	81.80	81.00
May	80.55	80.70	80.60	80.30
July	78.65	78.80	—	—
Sept	79.25	79.40	79.25	79.25
Dec	79.05	79.20	78.75	78.75

COTTON 50,000 lbs. cents/lb

	Close	Prev	High	Low
Oct	72.05	72.45	72.50	71.45
Dec	70.66	71.04	71.30	69.80
March	72.10	72.55	72.65	71.70
May	72.95	73.40	73.66	72.30
July	72.95	73.32	73.60	72.35
Oct	68.05	67.82	67.80	67.80
Dec	66.32	66.20	66.27	65.50

CRUDE OIL (LIGHT) 42,000 US gallons: $/barrels

	Close	Prev	High	Low
Nov	19.49	19.82	19.87	19.45
Dec	19.40	19.73	19.80	19.30
Jan	19.34	19.64	19.72	19.33
Feb	19.30	19.56	19.63	19.22
March	19.23	19.49	19.86	19.23
April	19.18	19.42	19.45	19.18
May	19.25	19.36	19.50	19.25
June	—	19.33	—	—
July	19.30	19.30	—	—
Aug	19.30	19.28	19.30	19.30

HEATING OIL 42,000 US gallons: cents/US gallons

	Latest	Prev	High	Low
Nov	54.80	55.93	56.00	54.80
Dec	55.15	56.33	56.40	55.05
Jan	56.30	56.63	56.65	55.25
Feb	55.35	56.45	56.60	55.55
Mar	53.40	54.45	54.40	53.55
Apr	51.90	52.89	52.80	51.90
May	51.00	51.65	51.25	51.00
June	50.75	51.05	51.00	50.75
July	50.90	51.25	50.90	50.90

SPOT PRICES—Chicago loose lard 15.00 (same) cents per pound. Handy and Harman silver bullion 763.0 (760.5) cents per troy ounce. New York tin 313-314 (314-315) cents per pound.

GOLD 100 troy oz, $/troy oz

	Close	Prev	High	Low
Oct	457.2	457.3	458.8	457.0
Nov	459.8	459.7	—	—
Dec	462.7	462.8	464.6	462.8
Feb	469.3	469.3	470.7	469.1
April	476.0	476.8	477.3	476.9
June	482.7	483.3	—	—
Aug	489.7	489.2	—	—
Sept	460.0	460.1	461.0	461.8
Oct	497.0	496.4	—	—
Dec	504.4	503.7	505.8	504.6
Feb	512.0	511.2	—	—
June	527.4	525.4	—	—
Aug	535.3	534.2	—	—

ORANGE JUICE 15,000 lbs: cents/lbs

	Close	Prev	High	Low
Nov	139.65	140.50	141.45	137.60
Jan	132.35	137.65	140.50	137.65
Mar	138.15	137.30	140.00	137.60
May	138.25	137.30	139.50	137.70
July	138.00	137.20	138.00	137.60
Nov	137.75	135.75	—	—
Jan	137.75	135.00	—	—

PLATINUM 50 troy ounces, $/troy ounce

	Close	Prev	High	Low
Oct	573.7	578.0	578.0	572.0
Dec	579.7	562.0	—	—
Jan	582.7	565.0	586.0	580.0
April	591.5	593.6	594.0	591.0
July	600.5	602.8	603.0	602.0
Oct	609.8	611.9	—	—
Jan	619.3	621.4	—	—

SILVER 5,000 troy oz: cents/troy oz

	Close	Prev	High	Low
Oct	763.7	762.2	—	—
Nov	768.5	767.0	—	—
Dec	773.6	772.0	781.0	770.0
Jan	778.6	777.1	—	—
Mar	790.9	769.2	796.0	788.8
May	802.9	800.9	806.0	803.0
July	815.1	812.8	815.0	815.0
Sep	827.7	825.3	—	—

SUGAR WORLD "11" 112,000 lbs. cents/lbs

	Close	Prev	High	Low
Jan	6.99	6.60	7.00	6.82
March	7.61	7.18	7.52	7.23
May	7.69	7.37	7.69	7.43
July	7.80	7.54	7.81	7.56
Oct	7.97	7.70	7.97	7.76
Jan	8.15	7.89	—	—
March	8.40	8.28	8.25	8.25

CHICAGO

LIVE CATTLE 40,000 lbs: Cents/lbs

	Close	Prev	High	Low
Oct	67.35	67.02	67.55	67.05
Dec	66.57	65.86	66.60	65.82
Feb	65.77	65.12	65.85	64.87
April	67.07	66.85	67.25	66.35
June	66.72	66.70	67.10	66.20
Aug	65.55	65.40	65.80	64.80
Oct	64.20	64.80	64.75	64.05

LIVE HOGS 30,000 lb: cents/lb

	Close	Prev	High	Low
Oct	50.25	49.30	50.40	49.80
Dec	47.47	46.47	47.70	47.20
Feb	44.85	44.27	45.25	44.55
Apr	41.85	41.40	42.15	41.75
June	44.15	43.85	44.45	44.05
July	44.72	44.17	44.75	44.45
Aug	43.10	42.56	43.40	42.90
Oct	40.10	39.75	40.40	40.00
Dec	40.10	40.25	40.30	40.10

MAIZE 5,000 bu min, cents/56 lb bushel

	Close	Prev	High	Low
Dec	182.4	185.0	185.0	181.6
March	190.4	193.0	192.6	190.0
May	196.6	197.4	197.2	195.2
July	198.2	199.4	199.4	197.6
Sept	194.2	194.4	195.0	194.0
Dec	194.6	195.0	195.6	194.2
March	202.2	202.2	202.2	202.2

PORK BELLIES 38,000 lb: cents/lb

	Close	Prev	High	Low
Feb	59.62	58.60	59.80	58.90
Mar	59.36	58.30	59.40	58.45
May	60.07	58.97	60.07	59.00
July	59.70	58.80	59.70	59.40

SOYABEANS 5,000 bu min. cents/60 lb bushel

	Close	Prev	High	Low
Nov	537.6	539.8	540.4	537.0
Jan	544.2	548.4	547.0	544.0
March	551.2	553.4	554.4	551.0
May	557.4	559.6	558.6	556.4
July	561.2	563.2	563.4	561.0
Aug	557.0	558.0	559.0	557.0
Sept	546.0	546.9	547.0	545.0
Nov	541.2	541.6	542.0	540.4

SOYABEAN MEAL 100 tons, $/ton

	Close	Prev	High	Low
Oct	176.4	177.3	177.0	175.5
Dec	171.9	172.6	172.8	171.2
Jan	169.6	169.9	170.2	169.0
March	167.8	167.9	168.4	167.0
May	166.6	166.9	167.0	166.0
July	165.2	165.0	165.5	164.2
Aug	164.2	164.5	165.5	164.0
Sept	164.0	163.5	164.0	163.5
Oct	162.5	162.7	162.5	162.5
Dec	162.0	162.9	163.0	162.0

SOYABEAN OIL 60,000 lb: cents/lbs

	Close	Prev	High	Low
Oct	16.82	16.88	16.92	16.77
Dec	17.17	17.23	17.28	17.11
Jan	17.38	17.43	17.47	17.28
March	17.65	17.76	17.80	17.60
May	17.90	17.95	17.95	17.81
July	18.12	18.22	18.22	18.05
Aug	18.17	18.25	18.20	18.10
Sept	18.17	18.25	18.15	18.20
Oct	18.15	18.25	18.16	18.15
Dec	18.35	18.50	18.20	18.50

WHEAT 5,000 bu min; cents/60lb-bushel

	Close	Prev	High	Low
Dec	296.2	296.4	298.2	294.4
March	306.6	308.2	308.0	306.0
May	303.4	304.4	305.4	302.0
July	295.4	296.0	298.2	294.4
Sept	288.0	289.0	290.0	288.8
Dec	291.0	289.0	—	—

CURRENCIES, MONEY & CAPITAL MARKETS

FOREIGN EXCHANGES

Dollar eases in thin trading

THE DOLLAR lost ground yesterday after failing to break through resistance levels at DM 1.85 and Y147.50. In the absence of any new economic factors to influence the market, the dollar eased gently for most of the day.

Trading volume was not particularly high and more and more speculators were becoming less inclined to take out positions ahead of the release of US trade figures, due next Wednesday. These are expected to determine the dollar's short term direction. While charts suggest that the recent dollar rally may have a little further to run, a poor set of trade figures would tend to alter attitudes and central banks would probably be put to the test to defend the call for currency stability after the recent G7 and IMF meetings.

The dollar closed at DM 1.8360 down from DM 1.8425 and Y146.70 compared with Y146.80. Elsewhere it slipped to SFr 1.5305 from SFr 1.5355 and FFr 6.1075 from FFr 6.1325. On Bank of England figures, the dollar's exchange rate index fell from 102.3 to 101.9. In early New York trading the dollar showed some signs of recovery, based partly on short covering as speculators reacted to rumours that US rates would rise in the near future.

STERLING—Trading range against the dollar in 1987 is 1.6885 to 1.4710. September average $1.6456. Exchange rate index 73.2 against 73.1 at the opening and 73.0 on Monday. The six months ago figure was 72.4.

Sterling edged up towards the DM 3.00 level but there was insufficient impetus to seriously test the Bank of England's determination to defend this level. The pound's attraction was increased to some extent by the dollar's weakness and also the relatively high level of UK interest rates and a recent firmer trend in oil prices.

The pound rose to DM 2.9975 from DM 2.9925 and $1.6320 compared with $1.6240. Against the yen it closed at Y239.5 from Y238.5. Elsewhere it rose to SFr 2.4975 from SFr 2.4925 and FFr 9.9875 compared with FFr 9.96.

D-MARK—Trading range against the dollar in 1987 is 1.9985 to 1.7690. September average 1.8122. Exchange rate index 146.3 against 146.5 six months ago.

There was no intervention by the Bundesbank at yesterday's fixing in Frankfurt when the dollar fixed at DM 1.8341 compared with DM 1.8444 on Monday.

The dollar moved lower on news of a rise in the minimum rate at the Bundesbank's sale and repurchase facility taking place today. The Bundesbank confirmed that the rise was a conscious decision taken in the light of expanding money supply.

The move was also helpful because it removed some of the downward pressure on the D-Mark against the French franc and meant that the French authorities would now have more room to play with should they wish to increase interest rates to curb inflation.

JAPANESE YEN—Trading range against the dollar in 1987 is 159.45 to 138.35. September average 143.19. Exchange rate index 217.8 against 218.5 six months ago.

Trading remained rather quiet and lacklustre in Tokyo. Some traders were still concerned about the possibility of a rise in the Japanese discount rate but comments by Mr Kiichi Miyazawa, Japan's Finance Minister, that rates should remain where they are, gave support to the dollar, which closed at Y147.0 compared with Y146.55 in New York and Y147.20 in Tokyo on Monday.

EMS EUROPEAN CURRENCY UNIT RATES

	Ecu central rates	Currency amounts against Ecu Oct. 6	% change from central rate	% change adjusted for divergence	Divergence limit %
Belgian Franc	42.4582	43.1534	+1.64	+0.89	±1.5344
Danish Krone	7.85212	7.98914	+1.75	+1.00	±1.6404
German D-Mark	2.05853	2.07785	+0.94	+0.19	±1.0981
French Franc	6.90403	6.91916	+0.22	−0.53	±1.3674
Dutch Guilder	2.31943	2.33786	+0.79	+0.04	±1.5022
Irish Punt	0.768411	0.773952	+0.72	−0.03	±1.6684
Italian Lira	1,483.58	1499.10	+1.05	+0.75	±4.0752

Changes are for Ecu, therefore positive change denotes a weak currency. Adjustment calculated by Financial Times.

£ IN NEW YORK

Oct. 6	Latest	Previous Close
£ Spot	1.6267-1.6272	1.6280-1.6290
1 month	0.32-0.30pm	0.33-0.32pm
3 months	0.73-0.69pm	0.75-0.73pm
12 months	2.00-1.90pm	2.10-2.04pm

Forward premiums and discounts apply to the U.S. dollar.

STERLING INDEX

	Oct. 6	Previous
8.30 am	73.1	72.9
9.00 am	73.1	72.9
10.00 am	73.2	73.0
11.00 am	73.2	73.0
Noon	73.2	73.0
1.00 pm	73.2	73.0
2.00 pm	73.2	73.1
3.00 pm	73.2	73.0
4.00 pm	73.2	73.0

CURRENCY RATES

Oct. 6	Bank rate %	Special * Drawing Rights	European Currency Unit
Sterling	—	N/A	0.695243
U.S. Dollar	6	"	1.13345
Canadian $	8.75	"	1.48108
Austrian Sch.	4	"	14.6181
Belgian Franc	7¾	"	43.1534
Danish Krone	7	"	7.98914
Deutsche Mark	3	"	2.07785
Neth. Guilder	4½	"	2.33786
French Franc	9½	"	6.91916
Italian Lira	12	"	1499.10
Japanese Yen	2½	"	165.994
Norway Krone	8	"	7.60264
Spanish Peseta	—	"	137.941
Swedish Krona	7½	"	7.28352
Swiss Franc	3.5	"	1.73136

POUND SPOT—FORWARD AGAINST THE POUND

Oct. 6	Day's spread
US	1.6255–1.6350
Canada	2.1281–2.1363
Netherlands	3.36½–3.37½
Belgium	62.11–62.27
Denmark	11.49¾–11.54¼
Ireland	1.1135–1.1185
W. Germany	2.99–3.00¼
Portugal	234.94–236.87
Spain	198.64–199.11
Italy	2158¾–2164¼
Norway	10.93¾–10.98
France	9.95½–9.98½
Sweden	10.49–10.50½
Japan	239–240
Austria	21.03–21.11
Switzerland	2.49¼–2.50¼

Belgian rate is for convertible francs. Financial franc 62.35–62.45. Six-month forward dollar 1.28–1.23 c pm. 12-month 1.95–1.85 pm.

DOLLAR SPOT—FORWARD AGAINST THE DOLLAR

Oct. 6	Day's spread
UK†	1.6255-1.6350
Ireland†	1.4579-1.4652
Canada	1.3040-1.3080
Netherlands	2.0605-2.0700
Belgium	38.05-38.38
Denmark	7.04-7.09
W. Germany	1.8300-1.8415
Portugal	144¾-145
Spain	121.65-121.96
Italy	1321-1328
Norway	6.69¾-6.74
France	6.09½-6.12½
Sweden	6.42-6.45
Japan	146.20-147.00
Austria	12.88¾-12.95

CURRENCY MOVEMENTS

OTHER CURRENCIES

Oct. 6		
S. Af. (Fn)	5.3735-5.5565	3.2895-3.4015
Taiwan	48.70-48.95	29.90-30.00
U.A.E.	5.9990-6.0045	3.6725-3.6735

*Selling rate.

EURO-CURRENCY INTEREST RATES

EXCHANGE CROSS RATES

Yen per 1,000: French Fr per 10: Lira per 1,000: Belgian Fr per 100.

FINANCIAL FUTURES

US bonds lose ground

TRADING WAS rather dull and featureless in the London International Financial Futures Exchange yesterday. US Treasury bonds were lower in reaction to a weaker dollar and this tended to drag down UK gilt futures.

The December bond opened at 81-23, down from 82-06 on Monday, and slipped to a low of 81-06 before recovering a little to close at 81-12.

The dollar's weaker trend and the absence of any fresh economic data to influence the market left many speculators feeling uncomfortable. Next week's US trade figures are expected to provide the major clue as to how contracts perform in the medium term and by and large the prospects of the deficit narrowing sufficiently to underpin the market were seen as unlikely.

Sentiment was also affected by a rise in the minimum rate of discount at the West German Bundesbank's latest sale and repurchase facility. This gave rise to speculation that US banks would soon be contemplating a rise in prime rates.

In addition values were showing some reaction to a sell off in US equities.

UK gilt futures failed to shrug off the bearish undertones coming across the Atlantic and despite sterling's stronger performance, value ended towards the day's lows. The December price opened at 114-23 down from 114-26 on Monday and fell to a low of 114-08 before closing at 114-12.

Three-month sterling deposits were also a little weaker but not by much. This reflected a slightly lower tone in cash markets. The December price finished at 89.64, having opened unchanged from Monday's close at 89.68.

LIFFE LONG GILT FUTURES OPTIONS

Strike Price	Calls—Last Dec	Calls—Last March	Puts—Last Dec	Puts—Last March
108	6.31	7.17	0.07	0.49
110	4.42	5.47	0.18	1.15
112	3.05	4.26	0.45	1.58
114	1.50	3.18	1.26	2.50
116	0.56	2.23	2.32	3.55
118	0.26	1.40	4.02	5.08
120	0.10	1.06	5.50	6.38
122	0.04	0.45	7.44	8.13

Estimated volume total, Calls 615 Puts 1,331
Previous day's open int: Calls 26,917 Puts 19,954

LIFFE US TREASURY BOND FUTURES OPTIONS

Strike Price	Calls—Last Dec	Calls—Last March	Puts—Last Dec	Puts—Last March
78	3.55	3.57	0.31	1.25
80	2.23	2.47	0.63	2.15
82	1.15	1.53	1.55	3.21
84	0.34	1.10	3.10	4.42
86	0.16	0.45	4.56	6.13
88	0.06	0.26	6.46	7.58
90	0.02	0.14	8.42	9.46
92	0.01	0.07	10.41	71.39

Estimated volume total, Calls 155 Puts 47
Previous day's open int: Calls 1,426 Puts 816

LIFFE FT-SE 100 INDEX FUTURES OPTIONS

Strike Price	Calls—Last Oct.	Calls—Last Nov.	Puts—Last Oct.	Puts—Last Nov.
22750	14.82	16.13	0.32	1.63
23000	12.56	14.17	0.56	2.17
23250	10.43	12.33	0.93	2.83
23500	8.46	10.63	1.46	3.63
23750	6.69	9.07	2.19	4.57
24000	5.15	7.66	3.15	5.66
24250	3.85	6.40	4.35	6.90
24500	2.79	5.29	5.79	8.29

Estimated volume total, Calls 20 Puts 0
Previous day's open int: Calls 128 Puts 110

LIFFE £/$ OPTIONS

LONDON SE £/$ OPTIONS

PHILADELPHIA SE £/$ OPTIONS

LIFFE-EURODOLLAR OPTIONS

LONDON

CHICAGO

CURRENCY FUTURES

MONEY MARKETS

Strong pound keeps rates steady

INTEREST RATES were a little lower where changed in London yesterday. Trading was extremely dull and lacklustre. A strong pound tended to offset a generally firmer feel to interest rates elsewhere, especially in West Germany.

UK clearing bank base lending rate 10 per cent since August 7

Three-month interbank money was quoted at 10$\frac{7}{16}$-10$\frac{5}{16}$ per cent compared with 10¼-10⅛ per cent while the six-month rate ended at 10⅜-10¼ per cent from 10$\frac{7}{16}$-10¼ per cent.

Overnight interbank money started off at 9¾-9½ per cent as the shortage came in a little larger than expected but rates fell away to a low of 6 per cent before finishing bid at 9 per cent.

The Bank of England forecast a shortage of around £350m with factors affecting the market including the repayment of late assistance and bills maturing in official hands together with a take up of Treasury bills draining £358m and Exchequer transactions accounting for a further £120m. These were partly offset by a fall in the note circulation of £50m and banks' balances brought forward £75m above target.

The Bank revised its forecast to a shortage of around £300m and gave assistance in the morning of £224m through outright purchases of £43m of Treasury bills, £3m of local authority bills and £147m of eligible bank bills, all in band 1 at 9⅞ per cent and £31m of eligible bank bills in band 2 at 9⅞ per cent.

Further help was given in the afternoon of £34m through outright purchases of eligible bank bills in band 1 at 9⅞ per cent. Late help came to £75m, making a total of £333m.

In Frankfurt the Bundesbank raised the minimum tender rate to 3.6 per cent from 3.5 per cent when offering fresh funds to the market. Mr Claus Koehler, a member of the Bundesbank board, claimed this as a conscious and moderate rise and was necessary to try and reduce and slow down the pace at which money supply has been growing. Compared with a 3 to 6 per cent target, money stock rose at an annualised rate of 7.4 per cent in August having already overshot in 1986.

Mr Koehler also pointed to the interest rate differential between the US and West Germany, claiming that it was significantly larger than the inflation rate differential.

Successful applicants will receive their allocations today. The last tender, which carried a minimum rate of 3.5 per cent, was finally allocated at 3.65 per cent

FT LONDON INTERBANK FIXING

MONEY RATES

LONDON MONEY RATES

Company Notices

GENERAL MINING UNION CORPORATION LIMITED

(Incorporated in the Republic of South Africa)
Company Registration No. 01/01232/06

PAYMENT OF COUPON No. 128
(Dividend No. 128)

Listing forms can be obtained on application to the London Secretaries.

per pro. GENCOR (U.K.) LIMITED
London Secretaries
L. J. Barnes

30 Ely Place
London EC1N 6UA

7 October, 1987

NOTE—Under the double tax agreement between the United Kingdom and the Republic of South Africa, the South African non-resident shareholders' tax applicable to the dividend is allowable as a credit against the United Kingdom tax payable in respect of the dividend. The deduction of tax at the reduced rate of 12 per cent instead of at the basic rate of 27 per cent represents an allowance of credit at the rate of 15 per cent. The gross amount of the dividend received to be entered by the individual shareholder on any return for income tax purposes is 26.65087p multiplied by the number of shares held.

WORLD MARKETS

FT-ACTUARIES WORLD INDICES

Jointly compiled by the Financial Times, Goldman, Sachs & Co., and Wood Mackenzie & Co. Ltd., in conjunction with the Institute of Actuaries and the Faculty of Actuaries

NATIONAL AND REGIONAL MARKETS	TUESDAY OCTOBER 6 1987					MONDAY OCTOBER 5 1987			DOLLAR INDEX		
Figures in parentheses show number of stocks per grouping	US Dollar Index	Day's Change %	Pound Sterling Index	Local Currency Index	Gross Div. Yield	US Dollar Index	Pound Sterling Index	Local Currency Index	1987 High	1987 Low	Year ago (approx)
Australia (91)	170.89	+0.7	155.24	158.22	2.49	169.74	154.95	157.99	180.81	99.92	87.82
Austria (16)	100.74	+0.8	91.51	96.05	2.16	99.89	91.19	95.65	102.87	85.53	94.18
Belgium (48)	125.80	+0.4	114.28	118.66	3.98	125.30	114.39	118.82	134.89	96.19	90.73
Canada (129)	135.54	−0.9	123.13	128.08	2.29	136.72	124.82	129.54	141.78	100.00	98.08
Denmark (38)	117.34	+1.1	106.59	112.63	2.60	116.10	105.99	111.92	124.83	98.18	95.55
France (122)	108.92	+0.1	98.95	104.35	2.64	108.83	99.36	104.69	121.82	98.39	95.62
West Germany (93)	101.88	−0.6	92.55	97.25	1.94	102.52	93.59	98.20	104.93	84.00	95.25
Hong Kong (46)	157.09	−1.0	142.71	157.47	3.08	158.68	144.86	159.10	158.68	96.89	85.56
Ireland (14)	156.12	+1.0	141.82	150.36	2.98	154.58	141.12	149.60	156.12	99.50	79.50
Italy (97)	93.26	+1.6	84.72	92.21	2.06	91.81	83.81	91.12	112.11	84.22	98.25
Japan (458)	144.76	+0.7	131.51	134.24	0.51	143.81	131.29	133.45	161.28	100.00	97.04
Malaysia (36)	177.72	+0.9	161.45	174.43	2.19	176.21	160.86	172.64	193.64	98.24	87.99
Mexico (14)	410.07	+2.6	372.52	712.88	0.42	399.57	364.78	691.13	422.59	99.72	75.14
Netherland (37)	124.27	−0.5	112.89	117.09	3.82	124.87	113.99	118.11	131.41	99.65	97.43
New Zealand (24)	135.96	−0.1	123.51	110.37	2.69	136.08	124.23	111.11	138.99	83.93	76.35
Norway (24)	181.40	+0.5	164.79	165.28	1.65	180.50	164.78	164.88	185.01	100.00	100.38
Singapore (27)	170.48	+0.9	154.87	164.82	1.48	168.97	154.25	163.52	174.28	99.29	91.23
South Africa (61)	183.21	+1.5	166.44	133.97	3.11	180.45	164.73	132.62	198.09	100.00	101.33
Spain (43)	168.81	+1.9	153.35	155.77	2.55	165.71	151.27	153.47	168.81	100.00	98.78
Sweden (34)	134.92	+0.8	122.56	128.47	1.78	133.81	122.16	127.82	134.92	90.85	99.88
Switzerland (53)	110.71	−0.1	100.57	105.04	1.58	110.78	101.13	105.46	110.78	92.01	94.07
United Kingdom (335)	158.93	−0.2	144.38	144.38	3.11	159.31	145.44	145.44	162.87	99.65	91.90
USA (585)	130.60	−2.6	118.64	130.60	2.81	134.07	122.39	134.07	137.42	100.00	97.51
Europe (954)	129.29	+0.0	117.45	120.74	2.74	129.28	118.03	121.26	129.29	99.78	94.40
Pacific Basin (682)	146.10	+0.6	132.72	135.66	0.69	145.20	132.56	134.95	158.77	100.00	96.24
Euro—Pacific (1636)	139.43	+0.4	126.67	129.70	1.45	138.90	126.80	129.48	143.65	100.00	95.51
North America (714)	130.86	−2.5	118.88	130.48	2.78	134.20	122.52	133.84	137.55	100.00	97.54
Europe Ex. UK (619)	110.87	+0.2	100.72	105.97	2.41	110.63	100.99	106.14	111.97	98.02	95.94
Pacific Ex. Japan (224)	162.57	+0.1	147.69	153.39	2.63	162.44	148.29	153.77	164.03	99.92	86.19
World Ex. US (1840)	139.94	+0.4	127.13	130.02	1.50	139.44	127.29	129.84	143.38	100.00	95.64
World Ex. UK (2090)	134.06	−0.8	121.79	129.02	1.85	135.16	123.39	130.20	138.82	100.00	96.79
World Ex. So. Af. (2364)	135.98	−0.8	123.53	130.39	1.98	137.03	125.09	131.58	139.47	100.00	96.32
World Ex. Japan (1967)	132.24	−1.5	120.13	128.55	2.76	134.22	122.53	130.70	134.22	100.00	96.01
The World Index (2425)	136.28	−0.7	123.80	130.45	1.99	137.30	125.35	131.62	139.73	100.00	96.35

Base values: Dec 31, 1986 = 100

EUROPEAN OPTIONS EXCHANGE

Series		Nov 87 Vol.	Nov 87 Last	Feb 88 Vol.	Feb 88 Last	May 88 Vol.	May 88 Last	Stock
GOLD C	$460	20	10.20	—	—	—	—	$458.10
GOLD C	$480	20	4	81	14.50	—	—	"
GOLD C	$500	6	1.90	5	10	6	18.50	"
GOLD C	$520	4	0.80	52	6.20	—	—	"
GOLD P	$420	2	0.80	—	—	—	—	"
GOLD P	$440	30	2.50	20	6	20	8	"

Series		Oct. 87 Vol.	Oct. 87 Last	Nov. 87 Vol.	Nov. 87 Last	Dec. 87 Vol.	Dec. 87 Last	Stock
$/Fl C	Fl.200	30	6.30	—	—	—	—	Fl.206.53
$/Fl C	Fl.205	20	1.55	3	3	366	3.20	"
$/Fl C	Fl.210	—	—	22	0.90	54	1.40	"
$/Fl C	Fl.215	—	—	—	—	2	0.30	"
$/Fl P	Fl.200	—	—	—	—	27	1.40	"
$/Fl P	Fl.205	20	0.90	3	2.20	563	3	"
$/Fl P	Fl.210	15	4.20	—	—	—		"

Series		March 88 Vol.	March 88 Last	June 88 Vol.	June 88 Last	Sept. 88 Vol.	Sept. 88 Last	Stock
$/Fl C	Fl.195	5	11.50	1	11.50	—	—	Fl.195
$/Fl C	Fl.205	8	4.50	11	5.70	1	6.20	"
$/Fl C	Fl.210	3	2.70	—	—	—	—	"
$/Fl C	Fl.215	2	1.30	—	—	—	—	"
$/Fl P	Fl.200	200	3.60	12	5.50	2	7	"

Series		Oct. 87 Vol.	Oct. 87 Last	Jan. 88 Vol.	Jan. 88 Last	Apr. 88 Vol.	Apr. 88 Last	Stock
ABN C	Fl.54	—	—	10	0.50	205	1.50	Fl.46.50
ABN P	Fl.50	782	3.70B	219	3.80	104	4.30	"
AEGON C	Fl.90	161	1	48	4.50	—	—	Fl.88.20
AEGON P	Fl.90	19	2.50	77	5.30	—	—	"
AHOLD C	Fl.100	110	3.50A	1	8	—	—	Fl.102.70
AHOLD P	Fl.100	120	0.50	4	3.40	—	—	"
AHOLD C	Fl.100	30	3.50A	3	8	—	—	"
AHOLD P	Fl.104.60	2	2.10	—	—	—	—	"
AKZO C	Fl.180	1277	0.70	234	8.60	168	13.30	Fl.175.50
AKZO P	Fl.180	104	5	862	11	13	12.20	"
AMEV C	Fl.65	8	0.20	27	1.70	4	3.50	Fl.59.30
AMEV P	Fl.65	66	5.80	5	6.30	47	6.50	"
AMRO C	Fl.95	—	—	30	1.10	206	2.30	Fl.82.20
AMRO P	Fl.80	—	—	52	2.60	216	4	"
ELSEVIER C	Fl.60	41	0.70	138	4.50	12	6.50A	Fl.58.30
ELSEVIER P	Fl.60	80	2.20	885	4.50	147	6.50	"
GIST-BROC. C	Fl.50	100	0.40	144	2.70	—	—	Fl.48.60
GIST-BROC. P	Fl.50	84	1.70	29	3.50	25	5	"
HEINEKEN C	Fl.190	41	0.10	7	2.80	50	5	Fl.170.80
HEINEKEN P	Fl.180	232	9.90	10	11	—	—	"
HOOGOVENS C	Fl.45	155	2.10	17	4.70	12	6.60	Fl.46.60
HOOGOVENS P	Fl.45	185	0.50A	433	2.30B	10	3.40	"
KLM C	Fl.55	549	0.60	180	3.50	12	5.50	Fl.54.10
KLM P	Fl.50	170	0.20	273	1.50	21	2.50	"
NEDLLOYD C	Fl.180	74	12.80	5	21	—	—	Fl.191.50
NEDLLOYD P	Fl.190	36	2.20	14	11.50	5	15	"
NAT.NED. C	Fl.75	130	0.40	42	3.60	18	5.30	Fl.73
NAT NED P	Fl.75	55	2.40	93	4.80	12	5	"
PHILIPS C	Fl.55	543	0.20	7092	2.20	145	3.30	Fl.52.30
PHILIPS P	Fl.55	321	2.90	386	4	35	5.20	"
ROYAL DUTCH C	Fl.270	240	2	136	11.60	29	18	Fl.268.50
ROYAL DUTCH P	Fl.260	108	0.60B	670	5.80	9	8	"
ROBECO C	Fl.110	10	2.20	—	—	—	—	Fl.112.60
UNILEVER C	Fl.136	378	2.70	196	9.50	—	—.70	Fl.137.50
UNILEVER P	Fl.144	195	7.50	65	10	—	—	"

TOTAL VOLUME IN CONTRACTS: 32,500

A=Ask B=Bid C=Call P=Put

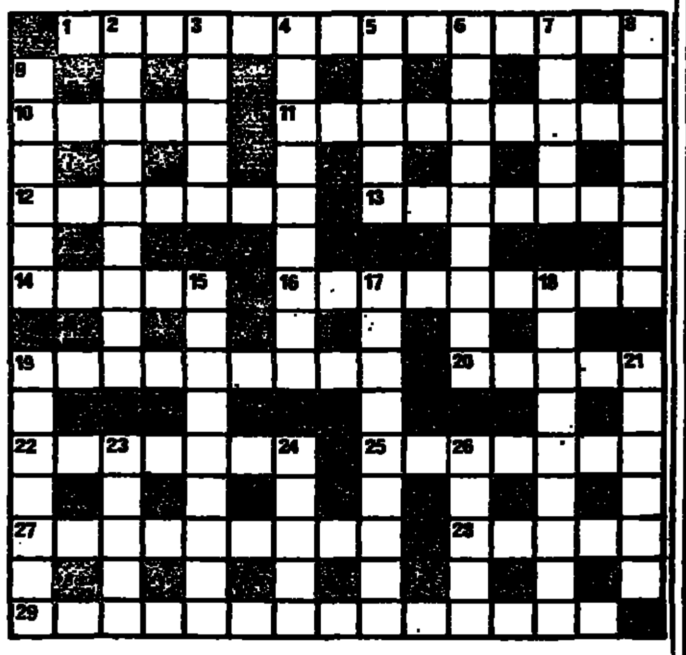
BASE LENDING RATES

	%		%		%
ABN Bank	10	● Charterhouse Bank	10	Nat Bk. of Kuwait	10
Adam & Company	10	Citibank NA	10	NatWestminster	10
Allied Arab Bk Ltd	10	City Merchants Bank	10	Northern Bank Ltd	10
Allied Dunbar & Co	10	Clydesdale Bank	10	Norwich Gen. Trust	10
Allied Irish Bank	10	Comm. Bk. N. East	10	PK Finans. Int'l (UK)	10½
American Exp. Bk	10	Consolidated Cred	10	Provincial Trust Ltd	11
Amro Bank	10	Co-operative Bank	*10	R. Raphael & Sons	10
Henry Ansbacher	10	Cyprus Popular Bk	10	Roxburghe G'rantee	10½
ANZ Banking Group	10	Duncan Lawrie	10	Royal Bk of Scotland	10
Associates Cap Corp	10	Equat'l Tst C'p plc	10	Royal Trust Bank	10
Authority & Co Ltd	10	Exeter Trust Ltd	10½	Smith & Williams Secs	10
Banco de Bilbao	10	Financial & Gen. Sec	10	Standard Chartered	10
Bank Hapoalim	10	First Nat. Fin. Corp	11	TSB	10
Bank Leumi (UK)	10	First Nat. Sec. Ltd	11	UDT Mortgage Exp	¶11.1
Bank Credit & Comm	10	● Robert Fleming & Co	10	United Bk of Kuwait	10
Bank of Cyprus	10	Robert Fraser & Ptrs	11	United Mizrahi Bank	10
Bank of Ireland	10	Girobank	10	Unity Trust PLC	10
Bank of India	10	Grindlays Bank	10	Western Trust	10
Bank of Scotland	10	● Guinness Mahon	10	Westpac Bank Corp	10
Banque Belge Ltd	10	HFC Trust & Savings	10	Whiteaway Laidlaw	10½
Barclays Bank	10	● Hambros Bank	10	Yorkshire Bank	10
Beneficial Tst Ltd	10	Heritable & Gen. Tst	10		
Beneficial Trust Ltd	11	● Hill Samuel	§10		
Berliner Bank AG	10	C. Hoare & Co	10		
Brit Bk of Mid East	10	Hongkong & Shangh	10		
Brown Shipley	10	Lloyds Bank	10		
Business Mtge Tst	10	Meghraj & Sons Ltd	10		
CL Bank Nederland	10	Midland Bank	10		
Canada Permanent	10	● Morgan Grenfell	10		
Cayzer Ltd	10	Mount Credit Corp. Ltd	10		

● Members of the Accepting Houses Committee. * 7-day deposits 5%. Savewise 7.46%. Top Tier—£2,500+ at 3 months' notice 9.31%. At call when £10,000+ remains deposited. ¶ Mortgage base rate. § Demand deposit 4.98%. Mortgage 11.125%.

FT CROSSWORD PUZZLE No 6,449

GRIFFIN



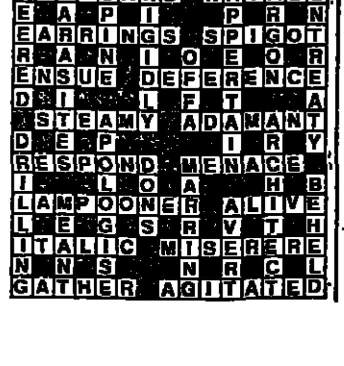
ACROSS

1 Could be Pierre's lover she's teaching! (6, 8)
10 Attack love nest, going crazy (5)
11 Lost again, bringing about homesickness (9)
12 Tackle composer in Holyhead vessel (7)
13 Guaranteed dependable in goal (7)
14 Flock back with inferior model (5)
16 Attacker using eggs roars when thrown out (9)
19 More certain to burst in and resign (9)
20 Jew returns without English newspaper (5)
22 Detail one to leave receipts around (7)
25 Face opening nothing containing the new sort (7)
27 See eccentric admiral leading beast (9)
28 Bill races one into room (5)
29 Peru sent organisation to imprison mean overseer (14)

DOWN

2 River rose to form artificial lake (9)
3 Return money he left here for fertiliser (5)
4 Aerobatic performance from bear after applause (9)
5 Discharge children (5)
6 Passing test in cooking, rushed in (9)
7 Assuming middle-aged listener is keen (5)
8 Manxman, perhaps, beheaded for calumny? (7)
9 Titfer that Italian banker raised coming in (3, 3)
15 Hypocrite from Public Relations entered, drunk (9)
17 Old lady accepts one gift—a candlestick (9)
18 Helpful chap returns as fellow embraces Rita (9)
19 Runs out of clothes (7)
21 Only has a key inside for comfort (6)
23 Appraise youth centre well, going round it (3, 2)
24 Ogee moulding, a pound in weight (5)
26 Turf was sent round by road (5)

Solution to Puzzle No 6,448



FT UNIT TRUST INFORMATION SERVICE

AUTHORISED UNIT TRUSTS

[illegible]

FT UNIT TRUST INFORMATION SERVICE

Mercury Fund Managers—Contd.

Gilt	88.5	88.9	+0.0	7.83
(Accum Units)	105.2	105.7	+0.0	7.83
Global Fund	56.0	59.2	+0.6	0.63
(Accum Units)	56.0	59.2	+0.6	0.63
High Income Fund	56.7	59.9	+0.0	4.57
(Accum Units)	57.5	60.8	-0.1	4.57
High Interest Fund	44.6	46.9	+0.0	9.58
(Accum Units)	45.8	48.4	+0.0	9.58
Income	134.0	141.7	+0.2	2.73
(Accum Units)	154.6	163.5	+0.2	2.73
International	316.9	335.1	+0.2	1.87
(Accum Units)	396.5	419.5	+0.2	1.87
Japan	215.4	227.9	+0.5	0.49
(Accum Units)	221.1	233.9	+0.5	0.49
Pacific Fund	63.3	66.9	+0.1	0.10
(Accum Units)	63.3	66.9	+0.1	0.10
Recovery	342.0	361.9	-0.7	1.94
(Accum Units)	371.9	393.5	-0.7	1.94
UK Smaller Co's Fund	58.6	62.0	+0.0	1.59
(Accum Units)	59.1	62.5	-0.1	1.59

Merlin Fund Mngmnt Ltd
30 St James St, London SW1A 1HB 01-925 1277

Merlin Sept 30	636.5	644.5	----	1.05

Metropolitan Unit Trust Mngrs Ltd
3 Darkes Lane, Potters Bar EN6 1AJ. 0707 45184

UK Income Fund	66.7	70.9	-0.1	4.23
Accum Units	67.4	71.7	-0.1	4.18
UK Growth Fund Acc	65.8	70.0	-1.0	1.43
Global Income Fund	52.5	55.8	----	3.58
Accum Units	52.5	55.8	----	3.58
Global Growth Fund	52.1	55.5	+0.4	0.45

Midland Bank Group UT Mngrs. Ltd
Courtwood House, Silver St, Head, Sheffield S1 3RD
Tel: 0742 769842

Provident Mutual Unit Trust Managers Ltd.
25-31 Moorgate, London, EC2R 6BA. 01-588 3963

PM Equity Growth	127.6	135.8	-0.2	0.96
PM Income and Growth	108.4	115.4	-0.1	2.87
PM N American Growth	59.6	63.4	-0.5	0.32
PM European Growth	53.6	57.0	+0.2	0.55
PM Japan Growth	71.7	76.3	+0.2	0.35
PM Overseas Growth	58.2	61.9	-0.3	0.41

Prudential Holborn Unit Trusts Ltd(a) (b) (c)
51-69 Ilford Hill, Ilford, Essex IG1 2DL 01-478 3377
Holborn LinkLine 0800 010345

Holborn Comm Tst.	87.6	92.6	----	0.33
Holborn Equity Income	78.7	83.2	----	3.09
Holborn Equity Tst	623.4	659.0	-2.7	2.05
Holborn European Tst.	131.5	139.1	+0.4	0.40
Holborn Gilt Tst.	208.1	217.0	+0.1	2.79
Holborn High Inc Tst.	93.1	98.5	+0.1	4.38
Holborn Intl Grth Tst.	129.9	137.4	----	0.64
Holborn Intl Sm Cos	48.9	51.7	+0.1	0.05
Holborn Japanese Tst.	140.8	148.9	+1.0	0.04
Holborn N. Amer. Tst.	101.1	106.9	-0.4	0.45
Holborn Sm Cos Tst.	85.0	89.9	+0.3	1.29
Holborn Spec Sits Tst.	114.1	120.7	-0.7	1.21
Holborn UK Growth Tst.	125.3	132.5	-0.6	1.45

Quilter Management Co Ltd
31-45 Gresham Street, London EC2 01-600 4177

Quadrant Gen. Fd.	693.1	733.5	----	1.33
Quadrant Income	352.2	372.8	----	3.56
Quadrant Intl. Fund	464.1	490.5	----	2.02
Quadrant Spec. Sits	492.5	521.2	----	1.12

Reliance Unit Mgrs. Ltd
Reliance House, Tunbridge Wells, Kent. 0892 510033

British Life	255.7	272.0	-1.8	2.22
Reliance Unit Tst (Inc)	[illegible]	[illegible]	-0.7	1.37

Standard Life Trust Mgmt. Ltd
3 George St, Edinburgh

Stewart Ivory Unit Trust Mgrs Ltd
45 Charlotte Sq, Edinburgh

Sun Alliance Fund Management Ltd

INSURANCES

Continued on next page

FT UNIT TRUST INFORMATION SERVICE

Manufacturers Life Insurance—Contd.

Gilt-Edged Init.	225.1	....	—
Do. Accum	277.6	....	—
Guaranteed Init.	159.1	....	—
Do. Accum.	196.3	....	—
International Init.	522.5	....	—
Do. Accum.	643.8	....	—
Index Lk. Gilt Init.	155.5	....	—
Do. Accum.	164.6	....	—

Merchant Investors Assurance
Leon House, 233 High St, Croydon 01-686 9171

Property	320.9	+0.1	—
Property Pens.	434.8	+0.5	—
Equity	207.5	+0.0	—
Equity Pens.	954.1	-0.6	—
Money Market	296.9	+0.9	—
Money Mkt. Pens.	535.7	+1.6	—
Deposit	240.1	+0.1	—
Deposit Pens.	305.1	+0.1	—
Managed	309.5	+0.4	—
Managed Pens.	606.0	+0.9	—
Intl. Equity	371.1	+1.1	—
Do. Pens.	611.7	+2.4	—
Intl. Managed	337.6	+0.8	—
Do. Pens.	510.3	+1.7	—
North American	137.3	-0.3	—
Do. Pens.	159.8	-0.3	—
Far East	308.2	+1.3	—
Do. Pens.	461.6	+2.6	—
Intnl. Currency	169.3	-0.1	—
Do. Pens.	218.7	-0.2	—
Index Linked	125.1	-0.2	—
S & C Managed Fd	144.8	+0.3	—
S & C Pens. Mngd Fd	119.1	+0.3	—
Bell Chambers	132.0	+0.3	—
Loran & Loran	121.7	+0.4	—
Afikon Mixed Fnd		....	—
Tristlink Life Funds			
Per Worldwide Rec.	176.1	+1.0	—
Per Far East Growth	227.3	+0.8	—
Per Intl Growth	170.3	+0.8	—
Per Income	180.8	+0.7	—
Per Emerging Co's	167.4	+0.3	—
Per American Growth	151.3	-0.9	—

Norwich Union Asset Management Ltd
PO Box 124, Norwich NR1 2JS 0603 683986

NUAM Funds				
Managed Fund	59.0	62.2	-0.1	—
Stock Market Mngd Fund	61.2	64.5	-0.1	—
Equity Fund	66.3	69.8	-0.1	—
International Fund	57.7	60.8	....	—
European Fund	60.5	63.7	-0.2	—
North American Fund	52.3	55.1	-0.1	—
Pacific Fund	66.3	69.8	....	—
Property Fund	52.9	55.7	....	—
Fixed Interest Funds	48.1	50.7	-0.1	—
Index linked Sec Fund	44.8	47.2	-0.1	—
Deposit Fund	51.6	54.4	....	—
NUAM Retirement Plan				
Mixed Fund	64.3	67.7	+0.2	—
UK Ordinary Share	78.1	82.3	+0.5	—
International Fund	59.4	62.6	-0.1	—
Property Fund	52.9	55.7	+0.1	—
Fixed Interest Fund	50.1	52.8	+0.3	—
Index Linked Sec Fund	45.3	47.7	....	—
Deposit Fund	53.6	56.5	....	—
NUAM (NF)				
Managed Fund	814.7	857.6	-1.0	—
Equity Fund	1779.2	1872.9	-4.0	—
Property Fund	328.9	346.3	+0.1	—
Fixed Interest Fund	354.8	373.5	-0.9	—
Deposit Fund	211.0	222.3	....	—
International Fund	149.8	157.7	+0.1	—
Index Linked Sec Fund	44.9	47.3	-0.1	—

Norwich Union Life Insurance Soc.
PO Box 4, Norwich NR1 3NG 0603 622200
Pensionvestor* & Unit-Linked Plan*

Fixed Interest Fund	249.8	262.9	....	—
Index-Linked Sec Fund	128.2	134.9	....	—
Ordinary Share Fund	558.4	587.7	....	—
International Fund	151.0	158.9	....	—
Property Fund	164.7	173.3	....	—
Deposit Fund	168.0	176.8	....	—
Mixed Fund	353.6	372.2	....	—
Norwich Units Sep 15		1018.4	....	—

*Prices as at June 30.

OFFSHORE AND OVERSEAS

MANAGEMENT SERVICES

FT UNIT TRUST INFORMATION SERVICE

LONDON SHARE SERVICE

BRITISH FUNDS

1987 High	1987 Low	Stock	Price £	+ or -	Yield Int.	Yield Red.
		"Shorts" (Lives up to Five Years)				
101[illegible]	100[illegible]	Treas. 12pc 1987	100[illegible]	.....	—	—
99[illegible]	97[illegible]	Treas 7¼pc 1985-88‡‡	99[illegible]	+[illegible]	7.08	9.61
102¼	99[illegible]	Exch 10½pc '88	100[illegible]	.....	10.47	10.18
101[illegible]	98[illegible]	Treas 9¾pc Cv '88	99[illegible]	-[illegible]	9.78	10.15
97[illegible]	93[illegible]	Transport 3pc '78-88	96¾	.....	3.10	7.70
101¼	98[illegible]	Treas. 9½pc '88	99[illegible]	.....	9.59	10.15
105[illegible]	101[illegible]	Treas 11½pc 1989	101[illegible]	.....	11.33	10.23
102[illegible]	97[illegible]	Treas 9½pc Cnv 1989	99[illegible]	.....	9.59	10.25
94[illegible]	89¼	Treas 3pc 1989	93[illegible]	+[illegible]	3.21	7.40
104[illegible]	99[illegible]	Treas 10½pc 1989	100[illegible]	.....	10.47	10.25
103[illegible]	98½	Exch 10pc 1989	99[illegible]	.....	10.05	10.27
105¾	100[illegible]	Exch 11pc 1989	101[illegible]	-[illegible]	10.86	10.25
95[illegible]	89[illegible]	Treas 5pc 1986-89	93[illegible]	-[illegible]	5.35	8.58
108[illegible]	99[illegible]	Exch 10¼pcCv '89	100[illegible]	-[illegible]	10.20	9.95
111[illegible]	105	Treas 13pc 1990‡‡	105¾	-[illegible]	12.31	10.11
106¾	100[illegible]	Exch 11pc 1990‡‡	101[illegible]	-[illegible]	10.83	10.19
110[illegible]	104¼	Exch. 12½pc 1990	104[illegible]	-[illegible]	11.92	10.19
91[illegible]	84½	Treas. 3pc 1990	88[illegible]	+[illegible]	3.37	7.78
100[illegible]	93[illegible]	Treas 8¼pc 1987-90‡‡	95[illegible]	-[illegible]	8.60	9.99
105	97½	Treas. 10pcCv 1990	99[illegible]	-[illegible]	10.05	10.20
89[illegible]	81[illegible]	Exch 2½pc 1990	86[illegible]	+[illegible]	2.91	7.66
110½	102[illegible]	Treas 11¾pc 1991	103[illegible]	-[illegible]	11.30	10.25
95[illegible]	87¼	Funding 5¾pc '87-91‡‡	89[illegible]	.....	6.43	9.34
89[illegible]	80¼	Treas. 3pc 1991	84[illegible]	+[illegible]	3.54	7.95
110¼	99	Treas 10pc Cv '91 ‡‡	100[illegible]	-[illegible]	9.96	9.84
109¾	101¼	Exch. 11pc 1991	102½	-[illegible]	10.73	10.22
96[illegible]	91[illegible]	Treas. 8pc 1991	92[illegible]	-[illegible]		
116[illegible]	107¼	Treas 12¾pc 1992‡‡	108¾	-[illegible]	11.76	10.24
106[illegible]	97[illegible]	Treas 10pc 1992	99¾	-[illegible]	10.07	10.18

[illegible]

BRITISH FUNDS—Contd

Undated

Index-Linked

INT. BANK AND O'SEAS GOVT STERLING ISSUES

CORPORATION LOANS

COMMONWEALTH & AFRICAN LOANS

LOANS

Building Societies

Public Board and Ind.

Financial

FOREIGN BONDS & RAILS

AMERICANS

Continued on next page

Money Market Bank Accounts

Money Market Trust Funds

UNIT TRUST NOTES

[illegible]

LONDON SHARE SERVICE

AMERICANS—Continued

1987 High	Low	Stock	Price £	+ or –	Div Gross	C'vr	Y'ld Gr's
39	27½	Rep NY Corpn $5	32⅝	-1	$1.16	—	2.2
18⅜	14½	Rockwell Intl. $1	14¼	+⅛	66c	—	2.7
30½	22⅝	Sara Lee $1	27⅜xd	....	$1.00	—	2.2
11½	8⅞	Saul (B. F.) $1	11⅛	-⅛	20c	—	1.1
27½	2¼	Southwestern Bell $1	26⅜	-⅞	h$2.32	—	5.3
19⅝	14¼	Staley Continental	19	-⅛	80c	—	2.6
44½	34¼	Sun Co. Inc. $1	38⅜	-⅛	$1.00	—	4.8
42¾	28⅞	TRW Inc. $0.625	39¾	-⅛	h$1.60	—	2.5
36⅜	25⅞	Tenneco $5	36⅛	+1⅛	$3.04	—	5.1
220	149½	Do. 10pcLn.Stk. 91-5	220xd	.....	10%	—	14.7
29⅝	17⅜	Texaco $6.25	25⅝xd	...	$3.00	—	7.2
74½	47⅛	Time Inc. $1	67⅞xd	+1⅛	$1.00	—	0.9
19⅝	11	Tracor $0.33	19⅛xd	..	40c	—	1.2
30⅛	18⅝	Transamerica $1	27⅛xd	-⅛	$1.84	—	4.2
14⅛	1⅛	Transworld Corp $5	12⅞	..	20c	—	1.0
27⅛	14⅞	TRINOVA Corp.	26⅛	-⅛	h$1.00	—	2.3
24⅛	15⅛	♥USX $1	23⅛	-⅛	$1.20	—	3.1
19⅝	15⅛	Union Carbide $1	19⅝	+⅛	$1.50	—	4.7
37⅞	26⅞	Utd. Technologies	35⅛xd	-⅛	$1.40	—	2.4
38⅝	27	US West	35⅛	-½	$3.28	—	5.7
30½	17⅛	Waste Management $1	28⅝	-½	—	—	—
£31⅛	£20½	Whirlpool $1.0	£22¼	-⅛	—	—	—
37⅛	26	♥Woolworth $3½	30⅛	-1½	$1.32	—	2.7

CANADIANS

1987 High	Low	Stock	Price	+ or –	Div Gross	C'vr	Y'ld Gr's
692p	362p	ABM Gold Corp ‖	398p	-3	—	—	—
21⅛	10p	♥Abbot Energy Corp.	18½p	....	—	—	—
18⅛	566p	♥Amer. Barrick Res.	16⅞	....	—	—	—
136p	32p	Amer. Daleco	79½p	-½	—	—	—
141p	37½p	American Lightwave	40p	.....	—	—	—
122p	52p	♥Armeno	82p	-5	—	—	—
19⅛	14⅛	Bk. Montreal ‖	14⅛	-⅛	$2.00	—	6.5
10½	698p	Bk. Nova Scot.‖	698p	-4	72c	—	4.7
20⅝	17⅛	BCE ‖	18⅛	-⅛	$2.40	—	6.1
10⅛	712p	♥Bow Valley‖	933p	-11	640c	—	2.0
20	12⅝	♥Brascan‖	18½	+⅛	88c	—	2.2
609p	277p	♥Breakwater Res.	398p	-3	—	—	—
11⅛	894p	Can.Imp.Bk. $2	988p	+1	$1.08	—	5.1

BANKS, HP & LEASING

BEERS, WINES & SPIRITS

BUILDING, TIMBER, ROADS

BUILDING, TIMBER, ROADS—Cont

CHEMICALS, PLASTICS

DRAPERY AND STORES

DRAPERY AND STORES—Cont.

ELECTRICALS

ENGINEERING

ENGINEERING—Continued

FOOD, GROCERIES, ETC

HOTELS AND CATERERS

INDUSTRIALS (Miscel.)

INDUSTRIALS—Continued

INDUSTRIALS—Continued

INSURANCES

LONDON SHARE SERVICE

INSURANCES—Continued

1987 High	Low	Stock	Price	+ or −	Div Net	C'vr	Y'ld Gr's	P/E
412	305	PWS Holdings 10p	338	−5	u10.5	2.9	4.3	12.4
509	316	Pearl Group 5p	493	−15	†10.5	—	2.9	—
*£11¼	804	Prudential	£11¼	−⅛	†29.0	—	3.6	—
593	433	Refuge 5p	588	−4	15.75	—	3.7	—
595	423	Royal	575xd	−18	†tn15.5	—	3.7	—
108	93	Saltire Ins. Invs.	108	+2	—	—	—	—
*345	274	Sedgwick Group 10p	294	−2	12.0	1.7	5.6	12.6
399	207	Steel Burrill J.10p	240	.....	†9.0	2.0	5.1	13.4
668	403	Stewart Wr. 20p	618	.....	♦13.0	2.0	2.9	21.9
612	377	Sturge Hldgs 20p	513	.....	††6.0	2.5	1.6	33.6
£12⅝	645	Sun Alliance	£12	−⅛	†23.5	—	2.7	—
£12⅞	929	Sun Life 5p	£12¼xd	.....	†28.5	—	3.1	—
£69⅝	£39	♥Taisho M EDR	£47¼	−⅞	q010%	—	0.9	—
£22¾	£14⅝	Torchmark $1.00	£19¾	−⅝	Q$1.00	—	3.2	—
385	235	Trade Indemnity	385xd	.....	†4.3	—	1.5	—
£34	£24⅞	Travelers $1.25	£28¼	+⅛	$2.28	—	5.0	—
£30¼	£22⅝	USF & G Corp $2.50	£25	+⅛	Q$2.48	—	6.1	—
£35⅝	£20⅞	USLIFE Corp. $1.0	£24⅞	−⅛	Q$1.20	3.2	3.0	5.9
728	555	♥Utd Friendly B 10p	725	−5	21.0	—	4.0	—
464	345	Willis Faber 12½p	414xd	−3	†10.75	2.4	3.6	15.8
128	41	Windsor Secs. 10p	116	.....	†0.7	1.5	0.8	—

LEISURE

1987 High	Low	Stock	Price	+ or −	Div Net	C'vr	Y'ld Gr's	P/E
35½	11½	♥A & M Group 10p	25½	−1½	—	—	—	♦
242	181	Airtours 10p	197	.....	R5.4	2.5	3.9	14.3
*549	302	Anglia TV	495	.....	†g11.25	3.3	3.1	13.7
308	78	Arley	290xd	−10	—	—	—	—
194	108	♥Aspinall Hldgs. 10p	175	+1½	♦6.0	1.2	4.7	24.0
141	63	♥Avesco 1p	108	−2	0.5	6.7	0.6	30.5
68	40	♥BCE Hldgs 5p	62	−1	Ld0.0	♦	2.2	♦
300	132	Barr & W.A.T. 'A'	292	−3	†8.0	1.4	3.8	23.8
58	44	Bond Media	49	.....	—	—	—	—
295	165	Boosey & Hawkes	228	.....	—	—	—	—
83	45	♥Border T.V.	60	−1	1.4	♦	3.2	♦
*439	43½	Brent Walker 10p	393	.....	g8.5	2.2	3.5	19.0
122	102	Do 6pc.Cv.Cm.Rd.Pf.	114	.....	6.0	—	7.2	—
*321	110	Campari Int. 20p	309	+1	†3.0	5.1	1.3	15.8
306	211	Castle Comms. 5p	273	−3	17.0	♦	3.7	♦

MOTORS

Motors and Cycles

Commercial Vehicles

Components

Garages and Distributors

NEWSPAPERS, PUBLISHERS

PAPER, PRINTING, ADVERTISING

PAPER, PRINTING—Continued

PROPERTY

SHIPPING

SHOES AND LEATHER

SOUTH AFRICANS

TEXTILES

TEXTILES—Cont.

TOBACCOS

TRUSTS, FINANCE, LAND

Investment Trusts

FINANCE, LAND—Cont.

OIL AND GAS

OIL AND GAS—Continued

OVERSEAS TRADERS

PLANTATIONS

Rubbers, Palm Oil

Teas

MINES

Central Rand

Eastern Rand

Far West Rand

O.F.S.

Diamond and Platinum

Central African

Finance

Australians

MINES—Continued

Tins

Miscellaneous

THIRD MARKET

NOTES

REGIONAL & IRISH STOCKS

The following is a selection of Regional and Irish stocks, the latter being quoted in Irish currency.

Stock	Price	+ or −	Stock	Price	+ or −
Albany Inv 20p	98xd	.....	Fin. 13% 97/02	£107⅝	.....
Craig & Rose £1	763	.....	Arnotts	365	.....
Finlay Pkg. 5p	112xd	+1	CPI Hldgs	88	+3
Holt (Jos) 25p	£10½	.....	Carrol Inds.	189	−3
IoM Stm. £1	293	.....	Dublin Gas	40g	.....
			Hall (R. & H.)	195	.....
IRISH			Heiton Hldgs.	74	.....
Fund 11¼% 1988	£100½xd	.....	Irish Ropes	185	.....
Nat. 9¾% 84/89	£98⅞	.....	Unidare	430	+10

TRADITIONAL OPTIONS

3-month call rates

Industrials	p		
Allied-Lyons	40	NEI	13
Amstrad	19	Nat West Bk	65
BAT	62	P & O Dfd.	65
BOC Grp.	50	Plessey	20
BSR	17	Polly Peck	34
BTR	36	Racal Elect	32
Babcock	32	RHM	35
Barclays	52	Rank Org Ord	70
Beecham	52	Reed Intnl	58
Blue Circle	50	STC	30
Boots	30	Sears	16
Bowaters	50	TI	37
Brit Aerospace	50	TSB	12
Brit. Telecom	28	Tesco	18
Burton Ord	32	Thorn EMI	65
Cadburys	25	Trust Houses	25
Charter Cons.	45	Turner Newall	26
Comm Union	34	Unilever	62
Courtaulds	45	Vickers	20
FNFC	32	Wellcome	42
Gen Accident	95	Property	
GEC	22	Brit Land	38
Glaxo	200	Land Securities	50
Grand Met.	50	MEPC	48
GUS 'A'	125	Peachey	40
Guardian	95	Oils	
GKN	38	Brit Petroleum	32
Hanson Tst.	17	Britoil	30
Hawker Sidd	58	Burmah Oil	52
ICI	125	Charterhall	10
Jaguar	52	Premier	11
Ladbroke	45	Shell	125
Legal & Gen	32	Tricentrol	11
Lex Service	45	Ultramar	26
Lloyds Bank	35	Mines	
Lucas Inds.	75	Cons Gold	125
Marks & Spencer	22	Lonrho	28
Midland Bk	45	Rio T Zinc	108
Morgan Grenfell	55		

A selection of Options traded is given on the London Stock Exchange Report Page.

LONDON STOCK EXCHANGE

Equity sector unsettled by Wall Street at the end of a sluggish trading session

Account Dealing Dates

*First Dealings	Option Declarations	Last Dealings	Account Day
Sept 28	Oct 8	Oct 9	Oct 19
Oct 12	Oct 22	Oct 23	Nov 2
Oct 26	Nov 5	Nov 6	Nov 16

* New time dealings may take place from 9.00 am two business days earlier.

The London stock market suffered a sharp fall towards the end of the trading session, in response to the opening setback on Wall Street. UK stocks were beginning to slip lower in sluggish trading after mid-session but the loss in major market indices quickly doubled as the Dow opened with a 40 point decline.

However, Government bonds, which had earlier lost ⅜ or so despite firmness in the pound, made no further reaction when New York opened.

At the end of the day, the FT-SE 100 Index was 17.9 down at 2367.9, with the FT Ordinary Index 15.4 off at 1858.3.

Selling pressure remained light in markets still taking a cautious view of both the domestic and international outlook. UK bond markets continue to lack retail investment support, and the equity markets appear inclined to await tomorrow's speech by Mr Nigel Lawson, Chancellor of the Exchequer, to the Conservative Party Conference.

Once again, it was the speculative situations which provided the features of the marketplace. Among the most active issues was STC, which rose sharply in early trading on rumours that ITT plans to sell its 24 per cent stake. Such a development could set up STC as a takeover target, unless the company took defensive action.

From the list of possible buyers of the STC stake, London chose Siemens, the German group, encouraged by a dip in the shares from DM 667 to DM 655, although the fall seemed more closely linked to rumours that Siemens might cut its next dividend payout. Shares in te German group rallied to DM 659 after the analysts scoffed at both the dividend cut and STC stake rumours.

Before the close in London, ITT had refused comment on the rumours and STC shares had given back part of their early gain. But there were strong hints in the City that Northern Telecom, the Canadian manufacturer, would shortly emerge as the buyer of the STC stake.

The blue chip stocks headed the list of losses at the end of the session. Activity among the pharmaceuticals centred around Glaxo, which announces its full year profits later this month. UK analysts were inclined to discount a sharp rise in Fisons shares after the company announced an AIDS treatment product.

Calor Group moved up again as the market assessed the aftermath of the aborted bid by Burmah Oil and SHV, the privately-owned Dutch group.

Good first-half profits from Sears brought little response, either from Sears shares or from the rest of the consumer sector.

The major clearing banks gave a resilient performance and closed virtually unchanged. Elsewhere, **Royal Bank of Scotland**, firm on Monday amid stake speculation, added 2 more to 438p, but **Morgan Grenfell** eased back as bid speculation continued to fade and closed 6 lower at 573p. **Standard Chartered** lost 12 at 811p. Irish banks went higher, **Bank of Ireland** rising 7 to 233p and **Allied Irish** 5 to 90p.

Recent speculative favourite **Commercial Union** were upset late in the session by talk of a badly handled selling order and the price dipped 3 to 435p. Other Composite Insurances encountered light profit-taking, **General Accident** slipping ⅛ to £11⅜ and **Royals** losing 15 to 578p. Life issues were dull, **Pearl** losing 15 at 493p, **Legal and General** 14 at 350p and **Prudential** ¼ at £11⅛.

All three market newcomers registered first-day premiums, although USM-quoted **URS International** certainly struggled to stay above its placing price of 87p; URS, an architectural and engineering consultancy group, opened strongly enough, at 98p, but quickly eased back to 88p prior to closing at 90p. Business records systems group **Security Archives** fared much better, the shares touching 205p prior to closing at 185p which compares with an offer price of 130p. US base metal concern **Butte Mining** opened at 148p and closed at 155p compared with a placing price of 100p.

Institutional buying of **Whitbread "A"** found stock none too easy to obtain. Marketmakers were reluctant to run short positions after one of two sizeable share purchases over the two previous trading sessions and the price moved higher quickly to close 3 up at 343p. Other leading Breweries held close to the overnight levels with the exception of **Bass**, which drifted off 11 to 984p.

Leading Buildings turned easier as recent support dried up. **Blue Circle**, firm last week on reports that the company had posted a cement price increase in the States, came back 15 to 488p, while **Meyer International**, having benefited from a Wood Mackenzie circular recently, encountered profit-taking and fell 19 to 456p. **Tarmac** were supported early on ahead of a presentation in the US later in the month and touched 309p before drifting back to close a penny cheaper on balance at 307p. **George Wimpey** shed 3½ to 283p and **Costain** gave up 5 at 372p. **John Mowlem** bucked the trend, adding 2 to 510p on suggestions that the company could float off its Stolport operation in London's Docklands. **British Dredging** encountered further profit-taking in the wake of the half-year figures and lost 6 at 220p, while **Ibstock Johnsen**, a particularly strong market of late reflecting its stake in Eucalyptus and prospects for its Portuguese operations, gave up 8 at 226p. Against the trend, **Wiggins** moved up 10 to 296p on speculative buying and **Countryside** put on 8 to 344p.

Features in the Chemical sector were few, but **Coates Brothers A** gained 10 to 413p on Markheath Securities takeover speculation; the latter has steadily increased its holding in Coates in recent weeks. Profit-taking in the wake of the good annual results clipped 8 from **James Halstead** at 278p.

Widespread rumours of an impending bid from any one of the three major shareholders, or perhaps a UK retailer, stimulated fresh buying of **Empire Stores**. The shares were particularly good late, rising to 285p for fresh rise of 18 on two-day gain of 43. Burton were considered a possible predator but market sources dismissed Next as a possible contender.

Leading Stores went lower with the accent on **Sears**. The group's profits were slightly better than most predictions but analysts came away from the ensuing meeting slightly worried over the board's evasiveness. Subsequently, the shares fell 5½ to 167½p. **Woolworth** slipped 9 to 354p but **Storehouse** edged forward to 407p. Elsewhere, a call for fresh funds of £5.1m brought **Albert Martin** down 9 to 163p.

Continued hopes of strong growth in the cellular radio and security industry lifted **Racal Electronics** 5 more to 341p, while **Northern Engineering** hardened after news of a £26m order for a sub-station in Riyadh. Press mention was good for **Volex**, 15 higher at 481p, but **Micro Focus** were slipped to 173p despite the first-half return to profitability. Annual earnings in line with anticipations and the acquisitions of trading systems supplier V Band, to be financed by a 6.9m share placing, made little impact on **Telephone Rentals**, at 272p. Dealings were restored in **Quest** after last week's suspension and the price ended at 174p compared with the pre-suspension level of 191p.

The Electrical majors experienced a less rewarding day with **Cable & Wireless** 8 down at 495p and **Thorn EMI** 9 off at 715p; stories of demerger possibilities, involving Amstrad and Virgin, were greeted with cynicism by marketmakers in the latter stock. **Plessey** again suffered from speculation of more internal strife and lost 6 further to 215p.

Among Engineers, **Ash and Lacy**, reflecting satisfactory preliminary results, closed 10 to the good at 690p. Elsewhere, revived speculative demand left **United Spring** 7 better at 143p.

Northern Foods, 4 dearer at 317p, benefited from increasing speculation of a stake being built up for the purpose of a bid. Dalgety was a popular choice. Other Foods were generally easier as profit-taking developed after the recent good run. **Argyll** came back 10 to 235p, **Bejam** lost 7 to 258p and **J. Sainsbury** shed 7 at 273p. A fresh downgrading of analysts' more optimistic profit projections for **ASDA-MFI** left the price 4 lower at 204p. Elsewhere, recent high-flier **J. England** came back to earth with a fall of 15 to 165p.

Pilkington fell 16 to 311p in a volume of some 7.7m shares as Wood Mackenzie changed its stance on the company's share rating from buy to hold.

Wood Mackenzie's analysts anticipate steady rather than spectacular growth in the second-half of the year and take the view that the recent rise in the Pilkington share price is well up with events.

Fisons featured late with a rise of 9 to 363p in the wake of the announcement that the company is well advanced in a research programme to develop aerosol Pentamidine as a preventative therapy for Pneumocyctis Carinii Pneumonia (PCP) in high risk individuals. PCP is an infection commonly affecting a large proportion of those suffering from Aids.

Glaxo drifted back $\frac{3}{16}$ more to £17$\frac{3}{16}$ awaiting the preliminary results scheduled for next Monday. The fresh reaction took place in the wake of a Press article highlighting mixed analysts views regarding growth prospects, particularly in view of the increased competition for Glaxo's anti-ulcer drug Zantac.

J. Bibby firmed 5 more to 285p on the plans to sell Flexible Packaging, a division of Princetown Packaging in the US, but record third quarter sales from its associate Reebok failed to help **Pentland Industries** which gave up 6 to 218p.

Blenheim Exhibitions moved up smartly to close 60 higher at 830p on the announcement that the company has entered into a conditional agreement to acquire PEL together with the 40 per cent interest in the share capital of NACR not already owned by PEL. Elsewhere, **WPP** were noteworthy for a rise of 19 at 907p.

Properties recorded some further useful gains. **Asda**, still responding to the bumper interim figures, gained 25 further to 845p. **Trafford Park** stood out with a rise of 45 at 570p, while further persistent demand left **Kentish Property** 18 higher at 288p. A large turnover developed in **Helical Bar** on talk of an imminent acquisition announcement and the shares closed 9 to the good at 347p.

Textiles were inclined easier, with **Courtaulds** drifting back to close 15 cheaper at 516p in a low volume of trade.

Bat Industries eased 6 to 701p, while **Rothmans** encountered profit-taking at 437p down 11.

Short-term investors realised profits and brought to an end yesterday the sustained surge in **Smith New Court**, which settled 8 down at 318p. Among other miscellaneous Financials, **Haw Par** gained 9 to 198p and **National Home Loans** improved 12 to a best-ever 228p.

Wall Street influences were cited as the main reason for the Oil sector's drab performance and prices settled lower across the board. **BP** were a shade cheaper at 372p, while **Shell**, relatively firm market on Monday, shed ⅛ at £13⅞. **Ultramar** came under selling pressure and dipped 11 to 295p, while losses of around 7 were seen in **Enterprise**, 335p, and **Burmah**, 584p. Elsewhere, **Calor** rallied 24 to 547p; the price fell sharply on Monday following Burmah/SHV's decision to withdraw their offer for the company having not been able to secure a recommendation from Calor. Dealings in **Bula** were suspended at 10p at the company's request pending an announcement. Elsewhere, trading re-started in **Sapphire Petroleum** some 20 pence below the suspension price of 60p despite prospects for a "tax efficient" deal in the US.

The two Overseas Traders which featured Monday's business reversed their roles yesterday. **Lonrho** gave back part of the gain attributed to the build-up of stakes held by US mutual funds and lost 8 to 339p. **James Finlay**, on the other hand, caught marketmakers wrong-footed with a bounce of 8 to 115p as bid speculation emerged after the group's poor first-half trading performance.

Traded option business remained buoyant with a total of 54,440 contracts struck—37,731 calls and 16,709 puts. Hanson were again active with 5,195 calls and 1,134 puts; and Hanson March 160's attracted 2,382 calls and the December 200's 1,213. The FTSE contract attracted 1,558 calls and 2,107 puts, while newcomer Storehouse registered 8,165 calls and 2,147 puts.

FINANCIAL TIMES STOCK INDICES

	Oct. 6	Oct. 5	Oct. 2	Oct. 1	Sep. 30	Year ago	1987 High	1987 Low	Since Compilation High	Since Compilation Low
Government Secs	85.74	85.86	85.65	85.72	85.55	82.98	93.32 (8/5)	84.49 (6/1)	127.4 (9/1/35)	49.18 (3/1/75)
Fixed Interest	91.88	91.76	92.16	91.84	91.61	89.69	99.12 (15/6)	90.23 (2/1)	105.4 (28/11/47)	50.53 (3/1/75)
Ordinary ♥	1858.3	1873.7	1872.3	1860.9	1853.7	1257.3	1,926.2 (16/7)	1,320.2 (2/1)	1,926.2 (16/7/87)	49.4 (26/6/40)
Gold Mines	444.6	439.6	438.2	444.9	453.1	329.4	497.5 (4/8)	288.2 (19/2)	734.7 (15/2/83)	43.5 (26/10/71)
Ord. Div. Yield	3.16	3.14	3.14	3.16	3.16	4.42				
Earnings Yld.%(full)	7.76	7.70	7.68	7.72	7.74	10.14				
P/E Ratio (net) (*)	15.78	15.89	15.94	15.86	15.82	12.09				
SEAQ Bargains (5 pm)	37,443	44,261	37,884	37,996	35,856	—				
Equity Turnover (£m)	—	—	1535.16	1766.02	1891.17	469.39				
Equity Bargains	—	—	41,900	43,529	42,828	17,218				
Shares Traded (ml)	—	—	523.0	622.7	645.6	214.2				

S.E. ACTIVITY

Indices	Oct. 5	Oct. 2
Gilt Edged Bargains	—	94.7
Equity Bargains	—	271.5
Equity Value	—	3103.0
5-Day Average		
Gilt Edged Bargains	—	109.2
Equity Bargains	—	282.0
Equity Value	—	3499.4

♥ Opening	10 a.m.	11 a.m.	Noon	1 p.m.	2 p.m.	3 p.m.	4 p.m.
1869.4	1871.5	1874.6	1871.8	1873.0	1871.2	1862.6	1864.6

Day's High 1875.4 Day's Low 1858.3. Basis 100 Govt. Secs 15/10/26, Fixed Int. 1928, Ordinary 1/7/35, Gold Mines 12/9/55, SE Activity 15.67 * Nil=15.56.

LONDON REPORT AND LATEST SHARE INDEX: TEL. 01-246 8026

Traditional Options

- First dealings Oct 5
- Last dealings Oct 16
- Last declaration —
- For Settlement —

For rate indications see end of London Share Service

Stocks dealt in for the call included **City Vision**, **H. and J. Quick**, **Monarch Petroleum**, **Abaco**, **Conroy Petroleum**, **Apricot Computer**, **Downibrae**, **Polly Peck**, **Saphire Petroleum**, **Willaire**, **Elswick**, **Ossory Estates**, **Dale Electric**, **Storehouse**, **Brown and Jackson** and **E. T. Sutherland**. **Rotaprint** were dealt in for the put, while a double option was arranged in **Premier Consolidated**.

NEW HIGHS AND LOWS FOR 1987

NEW HIGHS (116)

AMERICANS (3), CANADIANS (1), BANKS (2), BUILDINGS (4), CHEMICALS (5), STORES (6), ELECTRICALS (9), ENGINEERING (7), HOTELS (1), INDUSTRIALS (25), INSURANCE (3), LEISURE (2), MOTORS (2), PAPERS (5), PROPERTY (5), SHOES (1), TEXTILES (1), TRUSTS (26), OILS (2), MINES (5), THIRD MARKET (1).

NEW LOWS (12)

BRITISH FUNDS (7), Tr. 2pc I-L 2006, Tr. 2½pc I-L 2009, Tr. 2½pc I-L 2011, Tr. 2½pc I-L 2013, Tr. 2½pc I-L 2016, Tr. 2½pc 2020, Tr. 2½pc 2024, CANADIANS (2), Bk. Montreal, Bk. Nova Scot., CHEMICALS (1), Viking Packaging, TRUSTS (2), Scot. National Tst. Inc., Do. Cap.

TRADING VOLUME IN MAJOR STOCKS

The following is based on trading volume for Alpha securities dealt through the SEAQ system yesterday until 5 pm.

Stock	Volume 000's	Closing price	Day's change	Stock	Volume 000's	Closing price	Day's change
ASDA-MFI	7,500	204	−4	ICI	1,200	£16⅛	—
Allied Lyons	7,900	442	+1	Jaguar	372	572	−3
Amstrad	1,600	173	−4	Ladbroke	607	454	−2
Argyll Group	8,700	235	−10	Land Securities	1,600	583	−9
Assoc. Brit. Foods	315	374	−4	Legal & Gen.	577	349	−15
BAA	3,400	143	+1	Lloyds Bank	2,000	353	−5
BAT	2,000	701	−6	Lonrho	3,100	339	−8
BET	2,600	301	−3	Lucas	760	776	−10
BICC	317	422	—	MEPC	422	548	−9
BOC	1,400	548	−5	Marks & Spencer	2,130	237	−5
BPB Inds	875	334	−6	Midland Bank	1,200	538	−8
BPCC	1,100	362	+2	Natwest Bank	1,400	765	+2
Grand Met	5,700	567½	+3½	Thorn EMI	2,700	715	−9
GUS "A"	656	£14	+⅛	Trafalgar House	2,600	418	—
Guardian R.E.	996	£10⅞	−$\frac{1}{16}$	T'house Forte	3,300	274	−4
GKN	945	436½	+1½	Ultramar	1,600	295	−11
Guinness	3,300	371	—	Unilever	1,500	634	−3
Hammerson	336	683	+3	United Biscuits	205	321	−5
Hanson Trust	13,000	186	+1	Wellcome	2,700	556	−3
Hawker Sidd	1,300	610	+10	Whitbread "A"	2,400	343	+8
Hillsdown Hldgs	232	346	−1	Woolworth	313	354	−9

RISES AND FALLS YESTERDAY

	Rises	Falls	Same
British Funds	4	90	18
Corporations, Dominion and Foreign Bonds	4	13	38
Industrials	367	605	608
Financial and Properties	114	206	305
Oils	23	42	49
Plantations	3	1	10
Mines	67	41	86
Others	55	125	65
Totals	637	1,123	1,179

FT-ACTUARIES INDICES

These Indices are the joint compilation of the Financial Times, the Institute of Actuaries and the Faculty of Actuaries

EQUITY GROUPS & SUB-SECTIONS — Tuesday October 6 1987

FIXED INTEREST

LONDON TRADED OPTIONS

Option		Calls Oct.	Calls Jan.	Calls Apr.	Puts Oct.	Puts Jan.	Puts Apr.
Allied Lyons (*442)	390	55	62	73	2	5	10
	420	27	40	53	4	15	22
	460	5	20	33	25	35	40
Brit. Airways (*217)	190	28	—	—	1	—	—
	200	19	29	38	2	8	13
	220	5	17	28	9	20	24

Option		Calls Nov.	Calls Feb.	Calls May	Puts Nov.	Puts Feb.	Puts May
LASMO (*379)	330	53	7.		3½	12	20
	360	31	49		10	21	29
	390	17	34		26	36	44
Plessey (*215)	200	23	31	41	4	9	13
	220	11	19	30	13	20	25
	240	4	12	—	27	32	—

October 6. Total Contracts 54,440. Calls 37,731. Puts 16,709. FT-SE Index Calls 1,558. Puts 2,107.

LONDON RECENT ISSUES

EQUITIES

FIXED INTEREST STOCKS

"RIGHTS" OFFERS

WORLD STOCK MARKETS

AUSTRIA

October 6	Price Sch%	+ or −
Creditanstalt	2245.00	−5
Goesser	3445.00	+45
Interunfall	12,950	.....
Jungbunzlauer	8910	−5
Laenderbank	2020.00	.....
Perlmooser	735.00	.....
Steyr-Daimler	124.00	.....
Veitscher Mag	877.00	+2

BELGIUM/LUXEMBOURG

October 6	Price Frs.	+ or −
B.B.L.	3110	−60
Banque Gen. Du, L.	14500	.....
Bank Int. A	14200	.....
Bekaert B	10975	.....
Ciment CBR	6700	.....
Cockerill	164	−4
Colruyt	10600	−175
Delhaize	5050	.....
EBES	4680	+40
Fabrique Nat	1340	−60
GB Inno BM	1284	−12
GBL (Brux) L	4000	+5
Generale Bank	6200	−50
Gevaert	8370	+20
Hoboken	7920	−10
Intercom	3700	+40
Kredietbank	4400	−20
Pan Holdings	13600	+50
Petrofina	12950	+25
Raffinerie Tirle	3745	−10
Royale Belge	6050	.....
Soc Gen Belge	3610	−40
Sofina	14725	−175
Solvay	15300	−50
Stanwick Intl.	560	.....
Tractebel	7650	.....
UCB	10650	−250
Wagons Lits	5750	−150

DENMARK

GERMANY

October 6	Price Dm.	+ or −
AEG	321	−6.5
Allianz Vers	2085	−15
BASF	342.60	−1.9
Bayer	372.50	−3
Bayer-Hypo	525	−3
Bayer-Verein	498	−12
BHF-Bank	492	−3
BMW	734	−11
Brown Boveri	350	−2
Commerzbank	303.50	−6.5
Cont'l Gummi	335.20	−1.6
Daimler-Benz	1067	−9
Degussa	560	−2
D'sche Babcock	234.50	−11.5
Deutsche Bank	703	−7
Dresdner Bank	362.50	−8.5
Feldmuehle Nobel	329	−3
Henkel	596	−3.8
Hochtief	681	−1.5
Hoechst	332.70	−2.6
Hoesch Werke	133	−2.5
Holzmann (P)	399	+2
Horten	242	−6
Hussel	667.00	−3
Karstadt	598.50	+2.4
Kaufhof	536	−0.5
KHD	189	−9
Kloeckner Werke	138	−3
Linde	788	+6
Lufthansa	175.50	−0.5
MAN	201.90	−0.1
Mannesmann	184.50	−3.1
Mercedes Hld.	999.00	−1
Metallgesell	405	−10
Muench Rueck	2030	+70
Nixdorf	865.50	+30.5
Porsche	987	−5
Preussag	203.50	−0.7
Rhein West Elect.	246	−3
Rosenthal	296	−3.5
Schering	617	+1
Siemens	659.50	−8.2
Thyssen	140.50	−1.6
Varta	361.50	+0.5
Veba	319.80	−1.5
V.E.W.	171.20	−0.8
Verein-West	460	−3
Volkswagen	375.50	−4.5

ITALY

October 6	Price Lire	+ or −
Banca Com'le	2821	+19
Bastogi-IRBS	416	+11
CIR	5160	.....
Credito Italian	1728	+13
Fiat	11850	+150
Generali Assicur	108500	+700
Italcementi	117500	+200
La Rinascente	1090	+7
Montedison	2365	+47
Olivetti	11690	+90
Pirelli Co	5870	.....
Pirelli Spa	4590	+45

SPAIN

October 6	Price Pts. %	+ or −
Alcazar	690.00	+30
Banco Bilbao	1970.00	+20
Banco Central	1240.00	+17
Banco Exterior	680.00	+50
Banco Hispano	870.00	.....
Banco Popular	1964.00	−11
Banco Santander	1375.00	+35
Banco de Vizcay	1925.00	+20
Banesto	1480.00	+10
Dragados	798.00	+58
Hidrola	108.50	+1.5
Iberduero	144.00	+1.3
Petroleos	825.00	.....
Telefonica	227.50	+5.5

SWEDEN

October 6	Price Kroner	+ or −
AGA (free)	220	−2
Alfa-Laval	375	+5
ASEA (Free)	438	−2
Astra B (Free)	269	+1
Atlas Copco	206	−9
Beijer A Fria	233	.....
Cardo (Free)	300	.....
Cellulosa	372	+4
Electrolux B	339	−3
Ericsson	243	−3
Esselte	193	.....
Mo Och Domsjo	510	−5
Pharmacia	241	−1
Saab-Scania (free)	292	+2
Sandvik	218	.....
Skandia Ins.	217	+3
Skandia Intl.	287	−2
Skan Enskilda	166	+5
SKF	389	+3
St. Kopparbergs	451	+8
Svka Handelsbn	540	.....
Swedish Match	122	+2
Volvo B (Free)	414	+6

SWITZERLAND

October 6	Price Frs.	+ or −
Adia Intl.	13350	−200
Alusuisse	959	+11
Bank Leu	3850	−100
Brown Boveri	3080	+115
Ciba Geigy	4130	−90
do. (PtCts)	2860	−50
Credit Suisse	3575	−20
Elektrowatt	4050	.....
Fischer (Geo.)	1650	.....
Hoff-Roche (Pt Cts)	151,500	−2000
Hoff-Roche 1/10	15150	−150
Jacobs Suchard	11100	−100
Jelmoli	4100	−90
Landis & Gyr	1990	−20
Nestle	11300	−75

AUSTRALIA (Continued)

HONG KONG

JAPAN

JAPAN (Continued)

SINGAPORE

SOUTH AFRICA

FINLAND

FRANCE

NETHERLANDS

NORWAY

CANADA

TORONTO

Prices at 2.30pm

Sales	Stock	High	Low	Close	Chng
102	AMCA Inl	$12½	12½	12½	−⅛
137148	Abitibi Pr	$35¾	33¾	35¼	+1½
200	Acklands	$17	17	17	−½
4300	Agnico E	$35	34⅞	34⅞	−⅛
13911	Albrta En	$20⅞	20⅝	20⅞	+⅛
600	Albrta N	$14¾	14¾	14¾	−¼
187062	Alcan	$49½	48⅝	48¾	−½
1674	Algoma St	$20¼	20¼	20¼	+¼
2112	Asamera	$11¾	11⅝	11¾	
3110	Atco I f	$12⅝	12½	12½	−⅛
37251	Bk BCol	73	72	73	+1
3500	BC Sugar A	$28¼	28¼	28¼	−¼
4650	BGR A	$14¾	14⅝	14⅝	−⅛
2420	BP Canada	$24¼	24	24¼	−¼
76805	Con Bath A	$22	21¾	21¾	
508250	CDistb B f	55	470	5	+30
1200	Cons Gas	$24⅝	24½	24½	−⅛
10100	Con Glass	$25⅛	25	25	
9800	Conwst B	$13⅝	13⅝	13⅝	
500	Costain Ltd	$10⅞	10⅞	10⅞	
5400	Coseka R	98	98	98	
2088	Crownx	$17¼	17	17⅛	
35561	Crownx A f	$6⅝	6¼	6⅝	+⅛
15230	Czar Res	210	206	209	+1
4910	Denison A p	$7¼	7	7¼	+¼
5100	Denison B f	$6⅞	6¾	6¾	−⅛
300	Develcon	370	370	370	
22150	Dicknsn A f	$13¼	12⅞	13	
10500	Dicknsn B	$16	16	16	
66920	Dofasco	$29⅝	28½	28½	
81318	Dome Pete	113	111	111	−3
8205	D Textile	$20	19⅞	19⅞	+⅛
6542	Domtar	$21½	21⅛	21⅛	
3800	Leigh Inst	58	5⅞	5⅞	−⅛
7550	Loblaw Co	$14	13¾	13¾	−⅜
7650	Lumonics	$9	8⅞	8⅞	−⅛
50	MSR Ex	325	325	325	
3900	Mclan H X	$22½	22¼	22¼	−¼
100	Mcln HY f	$21¾	21¾	21¾	+¾
316710	Macmillan	$31⅞	30½	30⅝	−⅛
394700	Magna A f	$21½	19⅛	19⅛	−3⅛
15284	Maritime f	$15	14⅞	15	
800	Mc Intyre	$60	60	60	
1500	Mind Res	410	400	400	−10
9200	Mitel Corp	$5⅝	5½	5½	
7117	Molson A f	$24⅞	24⅝	24⅝	−⅛
58701	Moore	$32	31⅝	31¾	
52876	Nat Bk Can	$12¾	12½	12½	
1480	Nl Vg Trco	$22	21¾	21¾	−⅜
1900	Nfl CapA f	$10¼	10	10¼	+¼
2010	Nfld LP A	$19⅛	19	19⅛	+⅛
290380	Noranda	$35¼	34¾	34¾	−½
42100	Selkirk A f	$26	25¾	26	+⅛
115378	Shell Can	$47	46⅝	46½	+½
1700	Sherritt	$6¼	6⅛	6¼	+⅛
400	Sigma	$19¾	19¼	19¼	−¼
37800	Southm	$23	22¾	22⅞	+¼
5060	Spar Aero f	$19⅞	19⅝	19¾	−⅛
1120	Steinbg A f	$38¾	38¾	38¾	+½
111268	Stelco A	$27½	26¾	26¾	
166286	Teck B f	$47¼	45	45	−1⅝
7013	Terra Mn	180	175	175	−8
13297	Texaco Can	$36¼	35½	35½	−⅞
538900	Thom N A	$29¾	28½	29¼	−1
100874	Tor Dm Bk	$31¼	30½	30½	−½
500	Tor Sun	$23⅝	23⅝	23⅝	
21225	Torstar B f	$34½	34	34¼	+¼
1600	Total Pet	$25¼	25⅛	25¼	
650	Trns Mt	$16½	16⅝	16½	
58880	TrnAlta UA	$28⅝	27⅝	27⅞	−⅜
108368	TrCan PL	$17½	17¼	17½	+⅜

MONTREAL

Closing prices October 6

NEW YORK-DOW JONES

Indices

NYSE-Consolidated 1500 Actives

	Stocks Traded	3.00p.m. Price	Change on Day		Stocks Traded	3.00p.m. Price	Change on Day
Tenneco	2,176,800	82⅛	+2⅛	General Elec	1,855,800	61	−1⅝
AT&T	1,612,800	33	−⅛	National Semic	1,860,500	21⅛	−⅞
IBM	1,284,500	153⅞	−2⅝	Philips Petrol	956,800	18⅞	+⅛
USG Corp	1,234,800	55	+3⅞	CSX Corp	914,800	37⅝	−⅝
Zayre Corp	1,121,100	34	−⅜	Exxon	857,200	48⅝	−⅝

**Saturday October 3: Japan Nikkei 26,006.59. TSE 2123.53

Base values of all indices are 100 except Brussels SE—1,000 JSE Gold—255.7 JSE Industrials—264.3 and Australia. All Ordinary and Metals—500; NYSE All Common—50; Standard and Poor's—10; and Toronto Composite and Metals—1000. Toronto indices based 1975 and Montreal Portfolio 4/1/83. † Excluding bonds. ‡ 400 Industrials plus 40 Utilities, 40 Financials and 20 transports. (c) Closed. (u) Unavailable.

LONDON – Most Active Stocks
Tuesday, October 6, 1987

	Stocks Traded	Closing Price	Change on Day		Stocks Traded	Closing Price	Change on Day
STC	25.9m	307	+19	Al. Lyons	7.9m	442	+1
Hanson Tr.	13.0m	186	+1	ASDA-MFI	7.5m	284	−4
Gen Elect	11.8m	236	−2	Pilkington Bros.	7.5m	311	−16
Argyll Gr.	8.7m	235	−10	Sears	7.0m	167½	−5½
Fisons	8.5m	383	+9	Grand Met	6.7m	567½	+3½

TOKYO – Most Active Stocks
Monday, October 6, 1987

	Stocks Traded	Closing Prices	Change on Day		Stocks Traded	Closing Prices	Change on Day
Nippon Steel	122.19m	429	+8	NEC	43.28m	2,820	+90
Hitachi Ltd	71.60m	1,580	+40	Mitsubishi Heavy Ind.	23.90m	680	+20
Fujitsu	53.47m	1,580	+40	Matsushita Elec Ind	21.58m	2,050	+60
Toshiba	42.23m	828	+17	Ricoh Co	18.71m	1,440	+20
Sumitomo Heavy Ind.	43.76m	438	+12	Sumitomo Metal	14.32m	323	+4

LONDON Chief price changes
(in pence unless otherwise indicated)

RISES:

Blen. Exhibs	830xr	+60
Calor Gr.	547	+24
Empire Sts	285	+18
Finlay (J.)	115	+8
Kentish Prop.	288	+18
Nat Hm Loans	228	+12
STC	307	+19
Volex Gr.	481	+15
Whitbread A	343	+8
York Tr.	166	+13

FALLS:

Argyll Gr.	235	−10
Bl. Circ. Inds.	488	−15
Courtaulds	518	−15
England (J.)	165	−15
Guidehse Gr.	110	−10
Lonrho	339	−8
Martin A.	163	−9
Meyer Intl.	456	−19
Pilkington	311	−16
Plessey	215	−6
Rothmans	437	−11
Sears	167½	−5½
Smith New Crt	318	−8

OVER-THE-COUNTER *Nasdaq national market, 2.30pm prices*

Continued from Page 43

Stock	Sales (Hnds)	High	Low	Last	Chng
RPM .72	21 250	24	23¾	23¾	−¼
RadSys.05e	28 2744	13⅝	11⅝	12¾	+1
Reeves	28 169	12½	12⅝	12⅝	−¼
Zondvn	298	13¼	12⅝	12⅞	−⅜
Zycad	2250	6⅛	5⅞	6	+⅛

Closing prices, October 6

NEW YORK STOCK EXCHANGE COMPOSITE CLOSING PRICES

12 Month High	12 Month Low	Stock	Div	Yld.	P/E	Sls 100s	High	Low	Close Quote	Ch'ge Prev. Close
38 1/2	22	AAR s	.50	1.4	22	42	37	36	36	-1
52	23 3/4	ADT	.92	1.8	29	37	52	51 1/2	51 1/2	-1/4
32 1/2	17	AFG s	.16	.5	11	1128	32 1/4	31 5/8	31 5/8	-5/8
27	9	AGS s			23	546	25 7/8	24 3/4	24 7/8	-1 1/8
10 1/2	6 3/4	AMCA				15	9 5/8	9 1/2	9 1/2	
9 3/8	5 1/8	AM Intl			69	1174	7 3/4	7 1/2	7 5/8	+1/8
65 1/2	50 1/2	AMR			12	4519	55 3/4	54 5/8	55 3/8	-3/4
38 3/4	35	ARCO n				4263	37 1/2	35 5/8	36	-1 1/2
12 1/4	8 1/4	ARX s			11	272	10 5/8	10 1/4	10 5/8	+1/4
73 1/2	34 3/8	ASA	2a	3.2		540	63 1/2	62 3/4	63 3/8	+1/8
22 7/8	9 3/4	AVX			43	467	22 1/8	21 1/4	21 5/8	-1/2
67	41 1/4	AbtLab	1	1.8	23	8100	61	57	57	-4
28	23 1/4	Abitibi g				252	27 1/4	26 7/8	26 7/8	+1
16 3/4	9 3/4	AcmeC .40		2.8	16	764	16 1/4	15 1/2	15 1/2	-3/8
10 1/2	6 1/8	AcmeE.32b		3.6	56	26	9 1/4	9	9	-1/4
23 7/8	19	AdaEx 3.42e		15.		99	23	22 5/8	22 5/8	-3/8
19 1/2	10	AdmM s .24		1.8	10	147	13 3/4	13	13	-1
26 7/8	12 1/8	AdvSys.62t		2.4	17	61	26 3/4	26 1/8	26 1/8	-5/8
24 7/8	12 7/8	AMD				10689	24 3/8	23	23	-1 3/8
56 3/4	47	AMD pf	3	5.4		721	56 5/8	55 1/2	55 1/2	-7/8
11 7/8	5 1/4	Adobe				181	9 7/8	9	9	
20 1/2	14 3/4	Adob pf 1.84		9.7		10	19 1/8	18 7/8	18 7/8	-1/4
21 7/8	17	Adob pf 2.40		12		5	20 3/4	20 1/2	20 3/4	+3/8
15	10 5/8	Advest .12a		1.0	9	140	11 5/8	11 3/8	11 1/2	-1/8
68 1/4	53	AetnLf 2.76		4.5	9	7586	61 1/2	60 7/8	60 7/8	-3/4
83 1/2	30	AfilPb s .32		.5	21	835	69	67 3/4	67 3/4	-1 1/4
26 7/8	18 5/8	Ahmans.88		4.3	7	7468	20 7/8	20 1/2	20 1/2	-1/4
5 3/8	2 7/8	Aileen				65	3 1/4	3	3 1/8	
53 7/8	32 3/8	AirPrd	1	1.9	22	3592	52	51 1/2	51 1/2	-3/8

Continued on Page 43

NYSE COMPOSITE CLOSING PRICES

Continued from Page 42

12 Month High	Low	Stock	Div.	Yld.	P/E	Sls 100s	High	Low	Close	Ch'ge Prev. Close
33⅝	18⅞	ZenithE				105	1834 26¾	25⅛	26¼	
13½	6¼	ZenLab				379	7¼	7	7	−⅛
26½	18¾	ZenNtl	.80	3.7	13	90	22⅛	21¾	21⅞	
20⅝	12⅜	Zero	.36	1.9	19	79	19¼	18⅞	19	
30¾	17¾	Zurnin s	.68	2.6	18	231	26¾	25⅛	26½	
10⅝	8¾	Zweig	.65e	6.3		z929	10¼	10⅛	10¼	

Sales figures are unofficial. Yearly highs and lows reflect the previous 52 weeks plus the current week, but not the latest trading day. Where a split or stock dividend amounting to 25 per cent or more has been paid, the year's high-low range and dividend are shown for the new stock only. Unless otherwise noted, rates of dividends are annual disbursements based on the latest declaration.

a-dividend also extra(s). b-annual rate of dividend plus stock dividend. c-liquidating dividend. cld-called. d-new yearly low. e-dividend declared or paid in preceding 12 months. g-dividend in Canadian funds, subject to 15% non-residence tax. i-dividend declared after split-up or stock dividend. j-dividend paid this year, omitted, deferred, or no action taken at latest dividend meeting. k-dividend declared or paid this year, an accumulative issue with dividends in arrears. n-new issue in the past 52 weeks. The high-low range begins with the start of trading. nd-next day delivery. P/E-price-earnings ratio. r-dividend declared or paid in preceding 12 months, plus stock dividend. s-stock split. Dividends begin with date of split. sls – sales. t-dividend paid in stock in preceding 12 months, estimated cash value on ex-dividend or ex-distribution date. u-new yearly high. v-trading halted. vi-in bankruptcy or receivership or being reorganised under the Bankruptcy Act, or securities assumed by such companies. wd-distributed. wi-when issued. ww-with warrants. x-ex-divident or ex-rights. xdis-ex-distribution. xw-without warrants. y-ex-dividend and sales in full. yld-yield. z-sales in full.

AMEX COMPOSITE CLOSING PRICES

Closing prices, October 6

OVER-THE-COUNTER

Nasdaq national market, closing prices

Continued on Page 41

FINANCIAL TIMES

WORLD STOCK MARKETS

AMERICA

Dow reels as interest-rate fears grow

WALL STREET

INVESTORS' fears of higher interest rates pummelled Wall Street stock prices yesterday, causing a record fall in points terms in the Dow Jones industrial average, *writes Roderick Oram in New York.*

Bond prices managed to hold their own despite the bearish tone of the markets which was fuelled by an easing of the dollar, higher interest rates abroad and weak investor demand as the US Treasury prepared to auction $15bn of notes yesterday and today.

The Dow Jones industrial average opened some 15 points lower and continued to slide through the morning to a loss of 45 points at mid-session. It stabilised briefly before resuming its drop during the afternoon.

It closed down 91.55 points at 2,548.63. The 3.5 per cent fall was surpassed in percentage terms by several days such as September 11, 1986 when the index dropped 4.6 per cent.

On top of the economic fundamentals pointing to higher interest rates, sentiment was crucially effected yesterday by a sell recommendation from Mr Robert Prechter, one of the leading market forecasters. He told his clients that the Dow was at a short-term high and could fall to the 2,300 level before rallying.

Traders were disappointed by the reverse. They had hoped that the stock market's relatively good performance recently had laid the groundwork for a modest rally, helped in particular by good third-quarter corporate profit figures which are due out soon.

New York Stock Exchange volume was 176m shares with declining issues outnumbering those rising by 1,321 to 329. Contributing to the downturn was heavy selling via trading programmes linked to index futures.

Computer stocks which had underpinned the market the previous day more than gave up their gains. IBM fell $5½ to $151, Digital Equipment lost $3¾ to $194, Unisys dropped $1⅝ to $45½ and Apple fell $3½ to $55¾. Among software companies, Microsoft fell $5¼ to $73¾, Lotus Development lost $1 to $37¼ and Ashton-Tate declined $2 to $30¾.

ITT fell $⅝ to $62⅞. Previously it had been up $1 on rumours it was selling its 24 per cent stake in STC, the British telecommunications and computer group. Both companies declined to comment.

In the takeover arena, Tenneco jumped $1⅝ to $61¼ on volume of more than 3.4m shares by early afternoon, making it the most active New York Stock Exchange issue.

International Multifoods advanced $⅝ to $37⅝ following news that the Belzberg and Bregman families of Canada had disclosed a 7.4 per cent stake and might seek control of the food processor.

Bear Stearns fell $⅝ to $19⅝. Jardine Strategic Holdings, a unit of Jardine Matheson, the Hong Kong investment and trading house, began its $23 a share tender for 20 per cent of the Wall Street firm's common stock and some preferred shares.

Procter & Gamble fell $4 to $99½. It had risen $2¾ on Monday because of analysts' enthusiasm for Olestra, the company's fat substitute.

Despite the uncertain and bearish mood of the credit markets the price of the 8.75 per cent benchmark Treasury long bond edged up 3/32 of a point by late afternoon to 91 3/16 yielding 9.78 per cent, although it had been fractionally lower during the morning.

One factor overhanging the markets was the auction yesterday of $7.25bn of four-year notes to be followed by $6.75bn of seven-year notes today. Ahead of the sales, the indicated yields of the securities of around 9¼ per cent and 7⅝ per cent respectively looked relatively attractive. But even at these levels, many investors might not buy because they believe interest rates are heading higher.

Debate over the Federal Reserve's policy intentions were heightened yesterday when it failed to supply as expected reserves to the banking system which would have eased the Fed funds rate. By early afternoon the rate at which banks lend reserves to each other was moderately firm at 7 5/16 per cent although it eased later to 7¼ per cent.

CANADA

FALLING mining and industrial issues depressed Toronto share prices in busy trade.

Noranda dipped C$⅛ to C$35 in a weak mining sector, while Alcan Aluminium gave up C$⅝ to C$48⅞ and Inco fell C$¼ to C$30¼.

Energy issues continued soft, with Texaco Canada off C$½ at C$35⅞ and Gulf Western down C$¼ at C$23. Class A shares of Magna International, which said it expected lower profits in the first half of 1988, fell C$2⅞ to C$19⅞.

Golds were mixed.

Montreal fell back and Vancouver edged lower.

SOUTH AFRICA

FIRMER bullion prices lent some strength to Johannesburg gold shares despite a rise in the financial rand.

South Vaal and Vaal Reefs both continued to improve among the heavyweight golds, adding R4 and R6 to R207 and R442 in turn. Harties picked up 40 cents to R33.40.

Platinums were mixed, with Lydenburg adding 75 cents to R54.25, but Impala down 25 cents to R55. De Beers, R2 stronger at R55, matched its year's best price.

Bob King in Taipei examines a sharp correction

Taiwanese whispers upset market

THE TAIWAN stock market's weighted index on Tuesday regained 17.62 of the more than 458 points it had lost over the preceding three trading days to close at 4,232.58, but the reasons for both the steep decline and following rise are still unclear.

Rumours sweeping the capital Taipei late last week that President Chiang Ching-kuo,77, was seriously ill apparently triggered selling in a market which was already jittery over the nearly 2,000 points the index had climbed in a matter of weeks and over huge trading volumes, which most days for the past two months have been greater than that of the Hong Kong and Singapore exchanges combined.

The Government also announced over the weekend that it had begun investigating possible manipulation of share prices and other questionable practices at trading houses, as well as certain unlicensed traders which some newspapers alleged may have been working with "big money" to skew the market.

President Chiang Ching-kuo

On Monday, the Securities and Exchange Commission denied allegations of market manipulation and attributed the market's fall to rumours surrounding the president's health.

The market certainly fits the definition of "overheated." Analysts say, for instance, that the market capitalisation of one local commercial bank, at $3.2bn, is only slightly less than that of Chase Manhattan, at $3.5bn. Trading has also become more like outright gambling, and many of the more savvy investors have pulled out, leaving the field to "the little old ladies" and possibly a few predators.

The SEC, alarmed at the pace of the index's rise, would understandably like to cool things off a bit. But announcement of this intention drew charges of interference from various quarters, causing the SEC to back off for the time being.

The Government has, meanwhile, flatly denied the rumours about Mr Chiang's ill health and on Monday the speaker of parliament, Mr Nieh Wen-ya, told reporters that the president will speak in person at celebrations on October 10 marking Taiwan's national day.

EUROPE

Stockholm and Madrid undeterred by lower trend

SWEDISH and Spanish shares stood out with records in an otherwise lower market trend in Europe yesterday. The lower dollar hurt export-led blue chips on major bourses and there were no fresh incentives to inspire investors.

Frankfurt ended broadly lower as foreign investors retreated and the dollar declined. A lower overnight close on Wall Street also contributed to a drop in prices. The Commerzbank index shed 20.4 to 1,998.4.

Chemicals, which gained sharply during last week's rally, led the downturn in heavy turnover. BASF fell DM1.90 to DM342.60, Bayer lost DM3 to DM372.50 and Hoechst shed DM2.60 to DM332.70.

Bond prices dipped sharply on several factors, including news that the Bundesbank had set a higher minimum bid rate on its latest repurchasing tender. The Bundesbank bought DM108.1m worth of paper after selling DM50.7m on Monday.

Zurich was hit by mild profit-taking after Monday's record and prices turned mixed with an easier bias in moderately active trading. The Crédit Suisse index eased 0.4 to 644.3.

Major banks were lower where changed after leading the market on Monday. But medium-sized banks moved ahead, with Banca del Gottardo adding SFr40 to SFr1,180.

Amsterdam weakened in quiet trading in the absence of any fresh factors to lift the market. The ANP-CBS index dipped 0.9 to 101.7 as the market waited for today's announcement of a new Dutch state loan.

International shares eased after a weak start. Unilever lost Fl 1.20 to 137.80, Royal Dutch shed Fl 1.70 to Fl 268.80, and Philips was down 50 cents at Fl 51.60.

Aircraft maker Fokker eased 30 cents to Fl 58.20 after news it had joined a consortium of eight firms bidding for a Nato precision ammunition order.

Paris edged fractionally higher in quiet, technical trading. The CAC index inched up 0.2 to 410.9.

Early attempts to stage a rally fizzled out as concern over rising interest rates mounted, depressing the portfolio and finance sectors.

Elsewhere, Valeo dropped FFr21 to FFr674 in the auto sector and Prouvost led textiles lower with a FFr25 decline to FFr645.

Brussels drifted lower in thin, directionless trading as persistent political tensions continued to haunt the market. The Brussels stock index lost 12.02 to 5,126.72.

Réserve, the share of Société Générale de Belgique, fell BFr40 to BFr3,610 on the first day of subscriptions to the 1-for-10 share issue. Among other holdings, Sofina lost BFr175 to BFr14,725

Stockholm sailed to its fifth consecutive record in heavy trading, buoyed by strong domestic liquidity. The Affaersvaerlden general index advanced 6.5 to 991.2 as most sectors moved upwards.

Among blue-chip engineering concerns, Volvo gained SKr5 to SKr415, but Electrolux slipped SKr3 to SKr339 and Asea fell SKr2 to SKr438.

Oslo turned mixed as nervousness over the political situation set in. The 1988 draft state budget gave little positive impetus to the market.

The all-share index edged up 0.14 to 438.15 on turnover of NKr134.8m.

Oils moved higher and banks gained ground after cutting interest rates on the removal of supplementary reserve requirements.

Milan was higher across the board on continuing demand for major industrials. The Milan Stock Index (MIB) added 12 to 905.

Fiat advanced L150 to L11,850 and climbed further in post-close trading. Montedison continued to be sought, closing up L47 to L2,365. The chemical company denied press reports that the company has agreed to sell its petrol products subsidiary to the new joint venture Monteshell.

Madrid rose to a second successive record as banks led other sectors upwards. The general index advanced 2.92 to 328.36 in moderate trading.

LONDON

THE steep opening fall on Wall Street sharply depressed London equities towards the end of a sluggish and cautious session. Investors appeared to remain circumspect prior to the Chancellor's statement today at the Conservative Party's conference.

The FT-SE 100 index closed down 17.9 at 2,367.9 and the FT Ordinary index fell 15.4 to 1,858.3.

Gilts lost around ⅜ of a point but held their ground despite New York's early stumble. Details Page 40.

ASIA

Nikkei builds advance on high techs and steels

TOKYO

HIGH-TECHNOLOGY stocks continued to command investor attention in Tokyo yesterday, helping to lift the Nikkei stock average close to a record, *writes Shigeo Nishiwaki of Jiji Press.*

Large-capitalisation stocks also remained popular while machine tools were sought selectively.

The market barometer rose 70.84 to 26,088.97, only 30 short of the record of 26,118.42 posted last September 1. Buying accelerated towards the close, lifting turnover from Monday's 786.06m shares to 1,142.18m. Gains outnumbered losers by 516 to 395, with 142 issues unchanged.

A check in the yen's decline spurred buying by institutional investors in the afternoon, despite continuing fears of an interest-rate increase and the creation of a capital gains tax for securities transactions.

High-tech issues were most popular. Hitachi advanced Y40 to Y1,580 with 71.68m shares changing hands. Fujitsu and NEC climbed to highs of Y1,590 and Y2,620, respectively, with gains of Y40 and Y90 in active trading.

Matsushita Electric Industrial reached a high of Y2,870 at one point in the session but later slipped slightly to close at Y2,860, up Y60, while Ricoh added Y20 to a record Y1,440.

Buying also spread to the second group of high-tech issues, with Citizen Watch climbing Y30 to Y665, Sharp adding Y10 to Y1,280 and Canon Y30 to Y1,300.

Machine tools, which have been largely neglected since last year, were back in favour, reflecting greater investment in equipment following a recovery in business.

Sumitomo Heavy Industries rose Y12 to Y438, while Asahi Diamond rose Y190 to Y1,980 on purchases by investment trusts. Toshiba Tungaloy closed Y24 higher at Y749 and Mori Seiki added Y130 to Y2,130.

Large-capital issues were also bought, but more selectively than in recent weeks. Nippon Steel topped the active list with 122.19m shares traded and added Y8 to Y429, while Mitsubishi Heavy Industries rose Y20 to Y680.

Financials gained some ground in the afternoon after morning dips. Mitsubishi Bank soared Y120 to Y3,080 after dropping Y10.

Finance Minister Mr Kiichi Miyazawa's repeated denial of an official discount rate rise only slightly eased fears of a rate increase in the near future on the bond market. But most dealers believe an increase is inevitable. If the August wholesale price index, to be announced on October 13, confirms the trend of price increases, the monetary authorities are expected to raise the discount rate.

The yield on the 5.1 per cent Government bond due in June 1996 went down from 6.180 per cent on Monday to 6.135 per cent on Mr Miyazawa's statement. It later rebounded to close at 6.255 per cent.

Prices registered a fifth consecutive gain on the Osaka Securities Exchange, with the OSE stock average advancing a strong 73.66 to a record 26,785.86. Trading soared from 77.24m shares on Monday to 159.29m shares.

SOUTH KOREAN share prices were pushed to record levels by brisk buying prior to three consecutive market holidays. The composite price index closed up 12.14 at the new peak of 509.67, beating the previous high of 507.07 set on August 21.

Financial and quality issues led the charge as 6.4m shares changed hands, compared with 4.7m shares on Monday. Turnover of won 97.2bn was won 29.7bn up on the previous session.

Daishin Securities and Dongsuh Stock each added won 1,300 to won 37,800 and won 39,200. Samsung Electronic was won 1,300 higher at won 32,900. The market reopens on Saturday after the Chusok and Korean Alphabet Day holidays.

SINGAPORE

FURTHER bargain-hunting extended Singapore's gains, with blue chips faring best in modest trade. The Straits Times industrial index closed up 10.79 at 1,450.75.

Advances were led by DBS's 40 cent rise to S$17.50. The bank's S$300m share offer closed yesterday. ICS made up 30 cents to S$11.60 and Malayan Banking was also 30 cents better at S$7.80. Inchcape added 30 cents to S$7.30.

Jurong Shipyard, again among the busiest, climbed a further 6 cents to S$3.16, while other actives included Sime Darby, up 4 cents to S$3.70, and Malaysia Mining, up 3 cents at S$3.02.

HONG KONG

A LATE FIT of nerves over the high level of Hong Kong prices prompted a broad sell-off which left the market easier. The Hang Seng index dropped 37.80 to 3,906.44 in turnover of HK$3.40bn compared with HK$3.67bn on Monday.

Second string issues led the actives, with trade busiest in Great Eagle, 30 cents off at HK$5, and Lai Sun, 40 cents higher at HK$9.25.

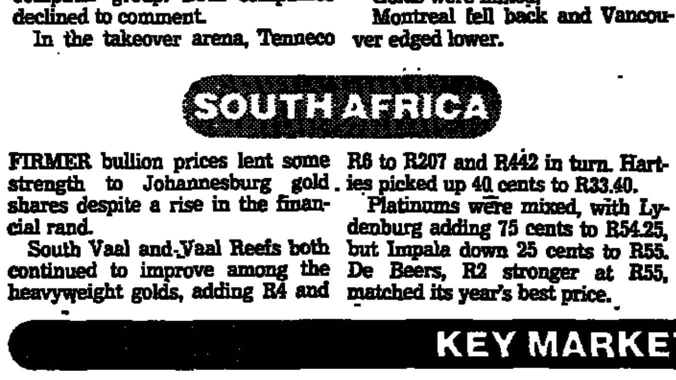
Falling blue chips included Cheung Kong and Hang Lung, each down 30 cents at HK$13.20 and HK$9.30 in turn, and Bank of East Asia, which fell 50 cents to HK$33.50.

AUSTRALIA

NEITHER the stronger Australian dollar nor the improved bullion price prevented Sydney share prices from easing. The All Ordinaries index closed down 6.4 at 2,247.25.

Golds were mixed despite firmer bullion, with Renison and Forsyth each 10 cents off at A$15.40 and A$4.80. Noranda Pacific and Whim Creek, though, added 10 cents each to A$5 and A$5.90 respectively. Banks firmed.

KEY MARKET MONITORS



STOCK MARKET INDICES

	Oct 6	Prev	Year ago
NEW YORK			
DJ Industrials	2,548.63	2,640.18	1,784.45
DJ Transport	1,049.79	1,063.22	822.25
DJ Utilities	197.9	201.04	200.20
S&P Comp.	319.22	328.08	234.78
LONDON FT			
Ord	1,858.3	1,873.7	1,257.3
SE 100	2,367.9	2,385.8	1,578.9
A All-share	1,213.82	1,222.12	783.86
A 500	1,328.47	1,337.66	861.52
Gold mines	444.6	439.6	329.4
A Long gilt	9.95	9.91	10.41
World Act. Ind (Oct 2)	137.18	137.18	95.77
TOKYO			
Nikkei	26,088.97	26,018.33	17,564.4
Tokyo SE	2,131.61	2,119.87	1,492.31
AUSTRALIA			
All Ord.	2,247.0	2,253.4	1,253.6
Metals & Mins.	1,377.4	1,380.8	636.1
AUSTRIA			
Credit Aktien	227.72	228.63	235.55
BELGIAN SE			
SE	5,126.70	5,138.70	3,799.67
CANADA			
Toronto			
Met.& Mins.	3,432.5	3,507.5	2,175.0
Composite	3,881.9	3,918.10	3,016.3
Montreal			
Portfolio	1,901.48	1,939.30	1,517.62
DENMARK SE			
SE	—	208.31	195.42
FRANCE			
CAC Gen	410.90	410.7	382.5
Ind. Tendance	105.90	107.10	94.19
WEST GERMANY			
FAZ-Aktien	660.41	667.80	669.11
Commerzbank	1,998.40	2,018.80	2,001.6
HONG KONG Hang Seng	3,906.44	3,944.24	2,084.93
ITALY Banca Comm.	653.62	644.54	746.39
NETHERLANDS ANP CBS			
Gen	312.00	—	277.3
Ind	261.40	262.30	277.8
NORWAY Oslo SE	581.99	582.14	376.73
SINGAPORE Straits Times	1,450.70	1,439.96	819.51
SOUTH AFRICA JSE			
Golds	—	2,242.0	1,991.0
Industrials	—	2,230.0	1,375.0
SPAIN Madrid SE	(na)	325.44	202.57
SWEDEN J & P	3,253.50	3,227.90	2,488.14
SWITZERLAND Swiss Bank Ind	727.10	729.70	561.6

COMMODITIES (London)

	Oct 6	Prev
Silver (spot fixing)	469.35p	469.40p
Copper (cash)	£1,154.00	£1,159.30
Coffee (Nov)	£1,422.00	£1,420.00
Oil (Brent Blend)	$18.80	$18.925

GOLD ($/oz)

	Oct 6	Prev
London	$457.75	$456.00
Zürich	$458.55	$456.25
Paris (fixing)	$459.53	$457.47
Luxembourg	$457.25	$455.50
New York (Dec)	$462.70*	$462.90

CURRENCIES (London)

	US DOLLAR Oct 6	Previous	STERLING Oct 6	Previous
$	—	—	1.6320	1.6240
DM	1.8360	1.8425	3.00	2.9925
Yen	146.70	146.80	239.50	238.50
FFr	6.1075	6.1325	9.9675	9.96
SFr	1.5305	1.5355	2.4975	2.4925
Fl	2.0645	2.0725	3.37	3.365
Lira	1,324	1,329	2,161	2,158.25
BFr	38.10	38.25	62.20	62.10
C$	1.3050	1.3085	2.1305	2.1245

INTEREST RATES

	Oct 6	Prev
Euro-currencies (3-month offered rate)		
£	10⅛	10⅛
SFr	4⅛	4⅛
DM	4½	4⅝
FFr	8 9/16	8⅝
FT London Interbank fixing (offered rate)		
3-month US$	8⅝	8 9/16
6-month US$	8 13/16	8½
US Fed Funds	7 5/16*	7⅜
US 3-month CDs	8.00*	8.175
US 3-month T-bills	6.545*	6.90

FINANCIAL FUTURES

Oct 6	Latest	High	Low	Prev
CHICAGO				
US Treasury Bonds (CBT) 8% 32nds of 100%				
Dec	81-16	81-28	81-05	81-23
US Treasury Bills (IMM) $1m points of 100%				
Dec	92.59	92.62	92.52	92.64
Certificates of Deposit (IMM) $1m points of 100%				
Dec	—	—	—	—
LONDON				
Three-month Eurodollar $1m points of 100%				
Dec	91.25	91.36	91.21	91.42
20-year Notional Gilt £50,000 32nds of 100%				
Dec	114-12	114-25	114-08	114-26

US BONDS

Treasury

	October 6 Price	Yield	Prev Price	Yield
8⅞ 1989	99 23/32	8.72	99 27/32	8.63
7 1994	92¼	9.60	92 13/32	9.52
8⅞ 1997	93	9.74	93 15/32	9.36
8⅞ 2017	90 21/32	9.84	91 11/32	9.77

Source: Harris Trust Savings Bank

Treasury Index

Maturity (years)	October 6 Return index	Day's change	Yield	Day's change
1–30	163.17	+0.23	6.93	−0.03
1–10	154.63	+0.12	6.66	−0.03
1– 3	144.03	+0.07	6.37	−0.03
3– 5	157.57	+0.17	6.71	−0.03
15–30	193.59	+0.59	7.78	−0.03

Source: Merrill Lynch

Corporate

	October 6 Price	Yield	Prev Price	Yield
AT&T 3⅞ July 1990	90.75	7.71	90.875	7.30
SCBT South Central 10⅞ Jan 1993	101.25	10.56	101.00	10.62
Phibro Sal 8 April 1996	85.625	10.60	85.66	10.60
TRW 8⅞ March 1996	90.64	10.45	91.00	10.40
Arco 9⅞ March 2016	92.25	10.75	92.66	10.70
General Motors 8⅝ April 2016	78.50	10.80	78.82	10.75
Citicorp 9⅝ March 2016	84.42	11.20	84.75	11.15

Source: Salomon Brothers

* *Latest available figures*